

Quadrant Video Systems Limited

Annual Report

for the year ended 29 February 1996

Registered no: 2127345



Quadrant Video Systems Limited

Annual Report for the year ended 29 February 1996

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Quadrant Video Systems Limited

Directors' report for the year ended 29 February 1996

The directors present their report and the audited financial statements for the year ended 29 February 1996.

Transfer of trade

On 28 February 1995 the net assets and undertakings of Quadrant Video Systems Limited (registered no. 2144288) were transferred at net book value to Stanmore Video Sales Limited (registered no. 2127345), a previously dormant subsidiary of Quadrant Group plc.

Issue of Share Capital

On 21 June 1995, Stanmore Video Sales Limited (registered no. 2127345) was recapitalised by the issue of 272,725 ordinary and "A" shares at £1.10 each, and 2,140,000 preference shares at £1.00 each.

Change of name

On 22 June 1995, the Company name was changed to Quadrant Video Systems Limited from Stanmore Video Sales Limited, and following the filing of these accounts, the company will be converted to a public limited company.

Principal activities

The company is principally engaged in the design, manufacture, sale, installation, service and hire of video, audio, presentation and CCTV systems, and associated equipment.

Review of business

The directors have pleasure to report on progress for the year ended 29 February 1996.

Following the hive-across of the business from the former Quadrant Video Systems Limited (2144288), turnover increased by 8.4% to £9,331,529. Our markets remain fiercely competitive, but our added value capabilities in the areas of video and CCTV systems engineering, hire and service all contributed to a satisfactory result, with a pre-tax profit of £162,060.

In December 1995 we opened our sixth branch, at Bellshill, Lanarkshire, providing local support to our existing Scottish customers, and giving opportunities for further expansion in Scotland.

The company's position should be further enhanced by the ISO 9002 quality accreditation which was achieved in March 1996.

These developments have had the short term effect of increasing the company's cost base, with a consequent reduction in profitability in the second half of the year, but we are confident that they provide a sound basis upon which the business will continue to grow in the year ahead, and express our thanks to all members of staff throughout the company for their efforts and commitment in the past year.

Post Balance Sheet Events

On 1 May 1996 the company acquired the whole of the issued share capital of A1 Presentations Limited. We welcome the former directors and their staff, and the business has been combined with our existing hire business under its new trading style, Quadrant Presentations. Initial results of the combined operation are very positive.

Dividends

Preference dividend of £20931 was paid during the year, and preference dividends of £31,106 were accrued as at the year end.

Quadrant Video Systems Limited

Directors' report for the year ended 29 February 1996 (continued)

Research and Development

The company continues to invest in research and development.

The directors regard investment in this area as a pre-requisite for success in the medium-to-long term future.

Directors

The directors of the company during the year, together with their dates of appointment where applicable, were as follows:

Fotovalue Limited

R C Singleton	Appointed 24 March 1995
S G Hope	Appointed 24 March 1995
G C Wragg	Appointed 24 March 1995
M G Boddy	Appointed 24 March 1995
P A Gregory	Appointed 24 March 1995
S D Eldred	Appointed 24 March 1995

Directors' interests in shares

On 21 June 1995 the following directors subscribed for £1 "A" ordinary shares in the company at £1.10 each

	Number of shares	Interest in ordinary share capital of the company
R C Singleton	27,273	10%
G C Wragg	13,636	5%
M G Boddy	13,636	5%
	<u>54,545</u>	<u>20%</u>

The interests of the directors at 29 February 1996 in the shares of the holding company were as follows:

	Quadrant Group Plc Ordinary shares of 10p each	
	1996	1995
R C Singleton	55,000	55,000
M G Boddy	13,610	13,610
G C Wragg	5,000	5,000

		Option price	Share options	
	Exercisable between		1996	1995
R C Singleton	July 1994 to July 2001	84p	20,000	20,000
	June 1995 to June 2002	36p	25,000	25,000
	November 1995 to November 2002	20p	45,000	45,000
	June 1996 to June 2003	19p	50,000	50,000
M G Boddy	July 1994 to July 2001	84p	20,000	20,000
G C Wragg	July 1994 to July 2001	84p	10,000	10,000
P A Gregory	July 1994 to July 2001	84p	10,000	10,000

The directors who were directors of the ultimate holding company have their share interests shown in the accounts of that company.

Quadrant Video Systems Limited

Directors' report for the year ended 29 February 1996 (continued)

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 for that year.

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 29 February 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.

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.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board



S G Hope

Company Secretary

5 August 1996

Quadrant Video Systems Limited

Report of the auditors to the members of Quadrant Video Systems Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

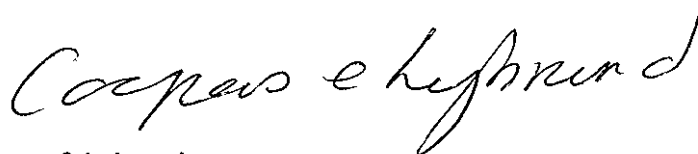
Going concern

In forming our opinion, we have noted the cross guarantees relating to the company and Group borrowings and have considered the disclosures made in note 1 to the financial statements. This note outlines the plans of Quadrant Group Plc, the company's ultimate holding company, to ensure that the group has adequate funds for its future operations, and the uncertainty related thereto.

The financial statements have been prepared on a going concern basis and the validity of this depends on the successful implementation of Quadrant Group's plans to secure future funding. The financial statements do not include any adjustments that would be necessary should the going concern basis be inappropriate. 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 29 February 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
Nottingham

7 August 1996

Quadrant Video Systems Limited

Profit and loss account for the year ended 29 February 1996

	Notes	1996 £	1995 £
Turnover	2	9,331,529	-
Cost of sales		5,915,293	-
Gross profit		3,416,236	-
Other operating expenses		3,189,153	-
Operating profit	3	227,083	-
Interest payable (net)	4 & 5	65,023	-
Profit on ordinary activities before taxation		162,060	-
Taxation charge on ordinary activities	8	-	-
Profit for the year		162,060	-
Dividends	9	52,037	-
Retained profit for the year	17	110,023	-

All items dealt with in arriving at profit on ordinary activities before taxation relate to acquired activities.

The company has no recognised gains and losses other than those included in the profit above, and therefore no separate statement of recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

Quadrant Video Systems Limited

Balance sheet at 29 February 1996

	Notes	1996 £	1995 £
Fixed assets			
Tangible assets	10	<u>1,636,963</u>	<u>1,577,439</u>
Current assets			
Stocks	11	649,523	768,403
Debtors	12	1,960,520	2,217,064
Cash at bank and in hand		5,524	5,999
		<u>2,615,567</u>	<u>2,991,466</u>
Creditors : amounts falling due within one year	13	1,714,715	4,565,322
Net current assets		<u>900,852</u>	<u>(1,573,856)</u>
Total assets less current liabilities		2,537,815	3,583
Creditors : amounts falling due after one year	14	-	3,581
Net assets		<u>2,537,815</u>	<u>2</u>
Capital and reserves			
Called up share capital	16	2,412,727	2
Share Premium		15,065	-
Other Reserves		-	-
Profit and loss account	17	110,023	-
Equity shareholders' funds		397,815	2
Non-equity shareholders' funds		2,140,000	-
Shareholders' Funds	18	<u>2,537,815</u>	<u>2</u>

These accounts were approved by the Board of Directors on 5 August 1996
and were signed on its behalf by:



R C Singleton
Director



S G Hope
Director

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

1 Principal accounting policies

The financial statements have been prepared on a going concern basis which assumes that Quadrant Group Plc (the Group) will have adequate resources to continue in operational existence for the foreseeable future. Group borrowings are secured by a fixed and floating charge over the assets of the Group and by cross guarantees to which Quadrant Video Systems Limited is a party.

In the Group's last Interim Statement, the Chairman stated that it was the Board's intention to reduce gearing.

As part of a detailed plan to focus the Group on its precision engineering and systems activities and further reduce gearing, the Group has entered into an agreement conditional upon shareholder approval to dispose of certain subsidiaries for a consideration of £4.775 million. After taking into account the reduction in available credit facilities and transaction costs, the transaction will provide an improvement in the Group's working capital position of approximately £1.5 million.

To ensure that the Group has adequate resources to meet all of its obligations and support the growth potential of its key businesses, the board will continue to implement plans to reorganise or extend current term loans, raise new equity and effect the further sale of assets.

In particular, the plan calls for further generation of funds in the current year as the Group does not yet have in place facilities sufficient to repay a loan of £1.6 million at 31 March 1997.

The accounts do not include any adjustments that might result from the Group being unable to meet its financial obligations. Such adjustments might include a reduction of the balance sheet value of assets to their recoverable amounts, provision for further liabilities that might arise or changes to the balance sheet classifications of fixed assets and long term liabilities.

Whilst there is at present uncertainty as to the outcome of the matters described above, the Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis.

Accounting convention

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

The financial statements have been prepared in accordance with the historical cost convention. The company is an 80% owned subsidiary of Quadrant Group PLC and the cash flows of this company are included in the consolidated group cash flow statement of Quadrant Group PLC. Consequently the company is exempt under the terms of FRS1 from preparing a cash flow statement.

Turnover

Turnover represents amounts receivable for goods and services provided in the UK and overseas net of trade discounts, VAT and other related taxes.

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

1 Principal accounting policies (continued)

Tangible fixed assets

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

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month following acquisition.

The principal annual rates used for this purpose are:

	%
Freehold Buildings	1
Fixtures and fittings	15
Equipment held for hire	15
Plant & equipment	20
Office equipment (including computers)	20
Motor vehicles	25

Short leasehold land and buildings and improvements are written off over 50 years, or the period of the lease if shorter.

The depreciation rate applicable to equipment held for hire was reduced from 20% to 15% with effect from 1 March 1995. The impact upon the results for the year is not considered to be material by the directors.

Finance and operating leases

Assets acquired under finance leases or hire purchase agreements are capitalised and depreciated in accordance with the company's depreciation policy. The capital element of future lease payments is included in the balance sheet as obligations under finance leases.

Payments under operating leases are charged wholly to the profit and loss account in the period in which they are incurred.

Stocks

Stocks are stated at the lower of invoiced cost and net realisable value. Provision is made for obsolete, slow moving and defective stock.

Deferred taxation

Deferred taxation is provided in respect of material timing differences to the extent that it is probable that such differences will crystallise in the foreseeable future.

Pension costs

The company operates defined contribution pension schemes, the costs of which are charged to profit and loss account as they fall due.

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

2	Turnover	1996	1995
		£	£
	Geographical market		
	United Kingdom	9,273,080	-
	Rest of Europe	38,079	-
	North America	2,073	-
	Middle East	18,297	-
		<u>9,331,529</u>	<u>-</u>
3	Operating profit	1996	1995
		£	£
	Operating profit is stated after charging :		
	Depreciation : owned fixed assets	315,027	-
	Auditors remuneration	13,800	-
	Auditors' - other services	2,718	-
	Hire of plant and machinery - operating leases	199,780	-
	Hire of other assets - operating leases	136,847	-
	(Profit) / loss on disposal of fixed assets	(4,457)	-
		<u></u>	<u></u>
4	Interest receivable and similar charges	1996	1995
		£	£
	Other interest received	2,638	-
		<u>2,638</u>	<u>-</u>
5	Interest payable and similar charges	1996	1995
		£	£
	To parent undertaking	64,220	-
	Other interest paid	3,441	-
		<u>67,661</u>	<u>-</u>

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

6 Directors' emoluments

The remuneration paid to the directors of Quadrant Video Systems Limited was:

	1996 £	1995 £
Emoluments (including pension contributions and benefits in kind)	244,879	-

Emoluments (excluding pension contributions and compensation for loss of office) include the following amounts paid to:

	1996 £	1995 £
The chairman	-	-
The highest-paid director	65,274	-

The number of directors (including the chairman and the highest-paid director) who received emoluments (excluding pension contributions and compensation for loss of office) in the following ranges was:

	1996 Number	1995 Number
£0 to £5,000	2	-
£35,001 to £40,000	2	-
£45,001 to £50,000	2	-
£65,001 to £70,000	1	-

7 Employee information

The average monthly number of persons (including executive directors) employed during the year was:

	1996 Number	1995 Number
Production	24	-
Selling and distribution	49	-
Administrative	23	-
	<u>96</u>	<u>-</u>

Staff costs (for the above persons):

	1996 £	1995 £
Wages and salaries	1,588,838	-
Social security costs	140,059	-
Pension costs	20,960	-
	<u>1,749,857</u>	<u>-</u>

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

8 Taxation

There is no charge for taxation in the year. Tax losses carried forward amount to £1.8 million.

9 Dividends

	1996 £	1995 £
3½% Preference shares: paid in the year	20,931	-
3½% Preference shares: accrued at year end	31,106	-
	<u>52,037</u>	<u>-</u>

10 Tangible fixed assets

	Freehold property £	Short Leasehold property £	Plant, equipment and motor vehicles £	Total £
Cost				
At 1 March 1995	344,541	276,785	1,860,531	2,481,857
Additions	2,704	23,508	549,410	575,622
Disposals	-	-	(62,702)	(62,702)
Transfer to stock	-	1,250	(245,950)	(244,700)
At 29 February 1996	<u>347,245</u>	<u>301,543</u>	<u>2,101,289</u>	<u>2,750,077</u>
Depreciation				
At 1 March 1995	9,223	106,972	788,223	904,418
Charge	3,489	32,217	279,321	315,027
Disposal	-	-	(21,697)	(21,697)
Transfer to stock	-	-	(84,634)	(84,634)
At 29 February 1996	<u>12,712</u>	<u>139,189</u>	<u>961,213</u>	<u>1,113,114</u>
Net book value				
At 28 February 1995	<u>335,318</u>	<u>169,813</u>	<u>1,072,308</u>	<u>1,577,439</u>
At 29 February 1996	<u>334,533</u>	<u>162,354</u>	<u>1,140,076</u>	<u>1,636,963</u>

The net book value of plant, equipment and motor vehicles includes assets held under finance leases of £nil (1995: £39,405).

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

11 Stocks	1996	1995
	£	£
Raw materials and consumables	2,429	-
Work in Progress	53,340	7,003
Finished goods and goods for resale	593,754	761,400
	<u>649,523</u>	<u>768,403</u>

12 Debtors: amounts falling due within one year	1996	1995
	£	£
Trade debtors	1,446,847	1,900,062
Corporation tax	-	68
Amounts owed by group undertakings	349,985	97,533
Other debtors	81,003	170,182
Prepayments and accrued income	82,685	49,219
	<u>1,960,520</u>	<u>2,217,064</u>

The Company's parent company, Quadrant Group Plc, has entered into a financing arrangement with Confidential Invoice Discounting Limited ('CID') under which certain of the trade debtors of the Company are used to secure the facilities made available to the Quadrant Group. At 29 February 1996, financing of £1,246,366 had been made available to Quadrant Group under these arrangements. Quadrant Group Plc has guaranteed the liabilities of the company to CID under these arrangements.

13 Creditors : Amounts falling due within one year	1996	1995
	£	£
Bank overdrafts	557,708	797,792
Obligations under hire purchase and finance leases	-	13,596
Trade creditors	786,934	987,336
Amounts owed to group undertakings	19,155	2,412,810
Corporation tax payable	392	460
Other taxation and social security payable	62,651	82,806
Other creditors	136,816	195,047
Accruals and deferred income	119,953	75,475
Dividends accrued	31,106	-
	<u>1,714,715</u>	<u>4,565,322</u>

14 Creditors : Amounts falling due after more than one year	1996	1995
	£	£
Obligations under hire purchase and finance leases	-	3,581

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

15 Obligations under finance leases	1996 £	1995 £
The net obligation under finance leases is payable as follows:		
In one year or less	-	13,596
Between one and five years	-	3,581
	<u>-</u>	<u>17,177</u>

16 Called up share capital	1996 £	1995 £
Authorised		
Ordinary shares of £1 each	218,182	100
'A' Ordinary shares of £1 each	54,545	-
3½% Preference Shares of £1 each	2,140,000	-
	<u>2,412,727</u>	<u>100</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	218,182	2
'A' Ordinary shares of £1 each	54,545	-
3½% Preference Shares of £1 each	2,140,000	-
	<u>2,412,727</u>	<u>2</u>

All of the above shares were issued during the year with the exception of 2 ordinary shares.
The ordinary and 'A' ordinary shares were issued at a premium of 10p per share.
The preference shares were issued at par.

17 Reserves	1996 £	1995 £
Profit and Loss Account		
Retained profits brought forward	-	-
Retained profit for the year	110,023	-
	<u>110,023</u>	<u>-</u>
Share premium account		
Share premium brought forward	-	-
Premium on share issue	27,272	-
Less: issue costs	12,207	-
	<u>15,065</u>	<u>-</u>

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

18 Reconciliation of movements in shareholders' funds	1996	1995
	£	£
Retained profit for the year	110,023	-
Share issues	2,412,725	-
Share premium	15,065	-
	<u>2,537,813</u>	<u>-</u>
Shareholders' Funds as at 28 February 1995	2	2
Shareholders' Funds as at 29 February 1996	<u>2,537,815</u>	<u>2</u>

19 Pension and similar obligations

The company operates defined contribution pension schemes, the costs of which are charged to profit and loss account as they fall due.

The total amount charged to profit and loss account during the year in respect of employer's pension contributions was £20960 (1995: £nil).

20 Financial commitments

At 29 February 1996 the company is committed to making operating lease payments during the next year as follows:

	1996	1995
	£	£
Motor vehicles where commitment expires within one year	26,527	31,451
Motor vehicles where commitment expires within 2 to 5 years	134,277	118,913
Land & buildings where commitment expires within 2 to 5 years	104,900	32,350
Land & buildings where commitment extends beyond 5 years	<u>33,700</u>	<u>93,900</u>

21 Ultimate Holding Company

Quadrant Video Systems Limited is an 80% owned subsidiary of Quadrant Group PLC, a company registered in England. Copies of the parent company's consolidated accounts may be obtained from Quadrant Group PLC, Priory House, Pitsford Street, Birmingham, B18 6LX.

Quadrant Video Systems Limited

Notes to the financial statements for the year ended 29 February 1996

(continued)

22 Comparative profit and loss account information

As stated in the Director's Report, at 28 February 1995 the business which was formerly carried on by Quadrant Video Systems Limited (company reg. no. 2144288) was hived across to Stanmore Video Sales Limited (company reg. no. 2127345), a previously dormant company, which was subsequently recapitalised and changed its name to Quadrant Video Systems Limited.

This note compares the profit and loss accounts for the years ended 28 February 1995 and 29 February 1996 as if the hive-across had not taken place.

	Present Quadrant Video Systems Limited Reg. no. 2127345	Former Quadrant Video Systems Limited Reg. no. 2144288
	1996 £	1995 £
Turnover	9,331,529	8,606,546
Cost of sales	5,915,293	5,450,059
Gross profit	3,416,236	3,156,487
Other operating expenses	3,189,153	2,859,778
Operating profit	227,083	296,709
Interest payable	65,023	150
Profit on ordinary activities before taxation	162,060	296,559
Taxation charge / (credit) on ordinary activities	-	462
Retained profit for the year	162,060	296,097