

PSD ASSOCIATES LIMITED

Company No. 2431038

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 1996



# PSD Associates Limited

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# PSD Associates Limited

## Report of the Directors

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

### Principal Activity and Business Review

The company's principal activity during the year under review was that of design consultancy. The results for the year and financial position at the year end were considered satisfactory by the directors who expect continued growth in the future.

### Results and Dividend

The results of the company for the year are set out on page 3.

The directors do not recommend payment of a final dividend (1995 - £14,000). An interim dividend of £39,192 (1995 - £74,181) was paid in the year.

### Fixed Assets

The movements in fixed assets are shown in note 11 to the financial statements.

### Directors and their Interests

The directors and their beneficial interests, including family interests, in the shares of the company were as follows:

|                            | Number of 50p<br>Ordinary Shares |      |
|----------------------------|----------------------------------|------|
|                            | 1996                             | 1995 |
| Paul Nigel Stead           | 200                              | 200  |
| Christopher James Thompson | -                                | -    |

### Auditors

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that they be re-appointed auditors to the company for the ensuing year.

By Order of the Board



Julia Stead  
Secretary

2 August 1997

# PSD Associates Limited

## Directors' Responsibilities and Report of the Auditors

### Statement of 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 company and of the profit or loss of the company 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 and prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company 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 company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors' Report to the Members of PSD Associates Limited

We have audited the financial statements on pages 3 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 5.

#### Respective Responsibilities of Directors and Auditors

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

#### Basis of Opinion

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

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

#### Opinion

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

*Kingston Smith*  
Kingston Smith  
Chartered Accountants  
and Registered Auditors

*4 August 1997*  
10 Bruton Street  
London, W1X 7AG

**PSD Associates Limited**  
**Profit and Loss Account**  
**For the year ended 31 October 1996**

|  | Notes | 1996                 | 1995                  |
|--|-------|----------------------|-----------------------|
|  |       | £                    | £                     |
| Turnover   | 2     | 1,923,518            | 1,555,848             |
| Cost of sales                                    |       | <u>(363,139)</u>     | <u>(277,644)</u>      |
| Gross Profit                                     |       | 1,560,379            | 1,278,204             |
| Administrative expenses                          |       | <u>(1,394,704)</u>   | <u>(1,010,517)</u>    |
| Operating Profit                                 | 3     | 165,675              | 267,687               |
| Interest receivable                              | 6     | 353                  | 2,822                 |
| Interest payable                                 | 7     | <u>(24,673)</u>      | <u>(17,936)</u>       |
| Profit on Ordinary Activities<br>Before Taxation |       | 141,355              | 252,573               |
| Tax on profit on ordinary activities             | 9     | <u>(41,080)</u>      | <u>(60,000)</u>       |
| Profit for the Financial Year                    |       | 100,275              | 192,573               |
| Dividends  | 10    | <u>39,192</u>        | <u>88,181</u>         |
| Retained Profit for the Year                     | 17    | <u><u>61,083</u></u> | <u><u>104,392</u></u> |

**Statement of Recognised Gains and Losses**

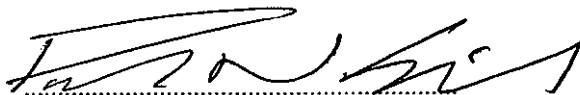
|  | £                    | £                     |
|--|----------------------|-----------------------|
| Total recognised gains and losses<br>for the year                    | <u><u>61,083</u></u> | <u><u>104,392</u></u> |
| Note on prior period adjustment                                      |                      |                       |
| Total recognised gains and losses<br>relating to the year (as above) | -                    | 104,392               |
| Prior period adjustment (see note 8)                                 | -                    | (19,793)              |
| Total gains and losses recognised since<br>the last annual report    | <u><u>61,083</u></u> | <u><u>84,599</u></u>  |

**PSD Associates Limited**  
**Balance Sheet at 31 October 1996**

|   | Notes | 1996           |                | 1995           |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | £              | £              | £              | £              |
| Fixed Assets  |       |                |                |                |                |
| Tangible assets   | 11    |                | 313,389        |                | 292,157        |
| Current Assets  |       |                |                |                |                |
| Work in progress  |       | 56,308         |                | 30,953         |                |
| Debtors   | 12    | 436,202        |                | 481,611        |                |
| Cash at bank and in hand                                |       | 740            |                | 55,710         |                |
|   |       | <u>493,250</u> |                | <u>568,274</u> |                |
| Creditors: Amounts Falling Due Within One Year          | 13    | <u>434,768</u> |                | <u>548,032</u> |                |
| Net Current Assets                                      |       |                | <u>58,482</u>  |                | <u>20,242</u>  |
| Total Assets Less Current Liabilities                   |       |                | 371,871        |                | 312,399        |
| Creditors: Amounts Falling Due After More Than One Year | 14    |                | 61,566         |                | 63,700         |
| Provisions for Liabilities and Charges                  | 16    |                | <u>6,458</u>   |                | <u>5,935</u>   |
|   |       |                | <u>303,847</u> |                | <u>242,764</u> |
| Capital and Reserves                                    |       |                |                |                |                |
| Called up share capital - equity interests              | 17    |                | 100            |                | 100            |
| Profit and loss account                                 | 17    |                | <u>303,747</u> |                | <u>242,664</u> |
|   |       |                | <u>303,847</u> |                | <u>242,764</u> |

The financial statements were approved by the board on  
and signed on its behalf by

2 August 1997



Paul Stead - Director

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

**1. Accounting Policies**

**(a) Accounting Basis and Standards**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

**(b) Depreciation**

Depreciation on fixed assets is provided at rates estimated to write off the cost or revalued amounts, less estimated residual value, of each asset over its expected useful life as follows:

|                       |                        |
|-----------------------|------------------------|
| Motor vehicles        | - 25% reducing balance |
| Fixtures and fittings | - 15% reducing balance |
| Computer equipment    | - 25% straight line    |

**(c) Work in Progress**

Work in progress is stated at the lower of cost and net realisable value.

**(d) Turnover**

Turnover represents the invoiced value of goods sold/services provided net of value added tax.

**(e) Deferred Taxation**

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

**(f) Foreign Currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

**(g) Leasing and Hire Purchase Commitments**

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis over the lease term.

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

**2. Turnover**

Turnover is attributable to the one principal activity of the company. The geographical analysis is as follows:

|   | 1996<br>£        | 1995<br>£        |
|---|------------------|------------------|
| European Union including United Kingdom | 1,550,345        | 1,293,537        |
| Non European Union                      | 373,173          | 161,930          |
| North America                           | -                | 100,381          |
|   | <u>1,923,518</u> | <u>1,555,848</u> |

**3. Operating Profit**

The operating profit is stated after charging:

|  | £             | £             |
|--|---------------|---------------|
| Depreciation:  |               |               |
| Owned tangible fixed assets                                  | 58,901        | 26,407        |
| Assets held under finance leases and hire purchase contracts | 42,063        | 31,998        |
| Auditors' remuneration                                       | 5,100         | 4,750         |
| Hire of equipment  | 1,425         | 70            |
| Loss/(profit) on foreign exchange                            | 88            | (1,026)       |
| Operating lease rentals:                                     |               |               |
| Land and buildings   | 29,386        | 24,220        |
| Plant and machinery  | <u>13,872</u> | <u>11,529</u> |

**4. Employees**

The average number of persons employed by the company (including directors) was:

|                       | Number    | Number    |
|-----------------------|-----------|-----------|
| Office and management | 6         | 5         |
| Production and sales  | <u>19</u> | <u>14</u> |
|                       | <u>25</u> | <u>19</u> |

Their total remuneration was:

|                       | £              | £              |
|-----------------------|----------------|----------------|
| Wages and salaries    | 709,939        | 517,622        |
| Social security costs | <u>72,745</u>  | <u>48,986</u>  |
|                       | <u>782,684</u> | <u>566,608</u> |



**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

|   | 1996<br>£      | 1995<br>£     |
|---|----------------|---------------|
| 5. Directors  |                |               |
| Remuneration of directors of the company was as follows:                          |                |               |
| Management remuneration   | <u>116,567</u> | <u>-</u>      |
| The emoluments, excluding pension contributions,<br>of directors were as follows: |                |               |
| Chairman  | <u>35,417</u>  | <u>-</u>      |
| Highest paid director   | <u>81,150</u>  | <u>-</u>      |
| 6. Interest Receivable  | £              | £             |
| Bank and other interest receivable  | <u>353</u>     | <u>2,822</u>  |
| 7. Interest Payable   | £              | £             |
| On bank loans and overdrafts repayable<br>in full within five years               | 6,160          | 2,651         |
| On overdue tax  | 54             | 760           |
| Finance lease and hire purchase interest  | <u>18,459</u>  | <u>14,525</u> |
|   | <u>24,673</u>  | <u>17,936</u> |

8. Prior Year Adjustment

The prior period adjustment, in the 1995 financial statements, represents the effect of the correction of a fundamental error in the application of the company's policy of depreciating computer equipment over its estimated useful life.

In the directors' view computer equipment has an estimated useful life of four years and should be depreciated accordingly. In previous financial statements computer equipment had been depreciated at 15% on a reducing balance basis. The prior period adjustment gave rise to a cumulative debit adjustment to distributable reserves of £5,520 in the 1994 accounts.

In addition, there was a prior period adjustment of £14,273 arising from a rental surcharge the company agreed to pay as consideration for terminating a hire arrangement with a related company and which compensates for the reduction in the excessive estimate of computer equipment's useful life reflected in the original arrangement.

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

|   |                          |                   |                |
|---|--------------------------|-------------------|----------------|
| 9. Tax on Profit on Ordinary Activities | 1996                     | 1995              |                |
|   | £                        | £                 |                |
| UK corporation tax at 24% (1995 - 25%)  | 37,500                   | 60,000            |                |
| Underprovision in previous year         | 3,057                    | -                 |                |
| Deferred taxation                       | 523                      | -                 |                |
|   | <u>41,080</u>            | <u>60,000</u>     |                |
| 10. Dividends                           | £                        | £                 |                |
| Interim dividend paid                   | 39,192                   | 74,181            |                |
| Final dividend proposed                 | -                        | 14,000            |                |
|   | <u>39,192</u>            | <u>88,181</u>     |                |
| 11. Tangible Assets                     | Fixtures and<br>Fittings | Motor<br>Vehicles | Total          |
|   | £                        | £                 | £              |
| Cost                                    |                          |                   |                |
| At 1 November 1995                      | 381,008                  | 37,401            | 418,409        |
| Additions                               | 128,325                  | -                 | 128,325        |
| Disposals                               | -                        | (20,080)          | (20,080)       |
| At 31 October 1996                      | <u>509,333</u>           | <u>17,321</u>     | <u>526,654</u> |
| Depreciation                            |                          |                   |                |
| At 1 November 1995                      | 104,595                  | 21,657            | 126,252        |
| Charge for the year                     | 97,824                   | 3,140             | 100,964        |
| Eliminated on disposals                 | -                        | (13,951)          | (13,951)       |
| At 31 October 1996                      | <u>202,419</u>           | <u>10,846</u>     | <u>213,265</u> |
| Net book value at 31 October 1996       | <u>306,914</u>           | <u>6,475</u>      | <u>313,389</u> |
| Net book value at 31 October 1995       | 276,413                  | 15,744            | 292,157        |

The net book value of fixed assets held under finance lease agreements is £136,803 (1995 - £72,080).

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

|   |                 |                 |
|---|-----------------|-----------------|
| 12. Debtors   | 1996<br>£       | 1995<br>£       |
| Trade debtors   | 384,553         | 443,431         |
| Other debtors   | 6,869           | 6,857           |
| Prepayments and accrued income  | 44,780          | 31,323          |
|   | <u>436,202</u>  | <u>481,611</u>  |
| 13. Creditors: Amounts Falling Due Within One Year                            | £               | £               |
| Bank loans and overdrafts   | 54,582          | 82,310          |
| Trade creditors   | 146,871         | 219,144         |
| Corporation tax   | 24,201          | 37,955          |
| Advance corporation tax   | 13,299          | 22,045          |
| Social security and other taxes   | 64,968          | 40,335          |
| Obligations under finance lease and<br>hire purchase contracts (see note 15)  | 69,195          | 47,887          |
| Accruals and deferred income  | 61,652          | 84,356          |
| Proposed dividends  | -               | 14,000          |
|   | <u>434,768</u>  | <u>548,032</u>  |
| 14. Creditors: Amounts Falling Due<br>After More Than One Year                | £               | £               |
| Bank loans  | 10,000          | 19,662          |
| Obligations under finance leases and<br>hire purchase contracts (see note 15) | 51,566          | 44,038          |
|   | <u>61,566</u>   | <u>63,700</u>   |
| Amounts repayable by installments within five years                           | 20,410          | 29,662          |
| Less: Amounts falling due within one year                                     | (10,410)        | (10,000)        |
|   | <u>(10,000)</u> | <u>(19,662)</u> |

The bank loan is repayable over two years, and is secured by a fixed charge over all book debts and other debts, goodwill, uncalled capital and intellectual property rights and by a floating charge over all assets and undertakings of the company.

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

**15. Future Financial Commitments**

**(a) Obligations Under Finance Leases  
And Hire Purchase Contracts**

At 31 October 1996 the company had obligations under finance leases and hire purchase contracts which are set out below.

|                             | £                     | £                    |
|-----------------------------|-----------------------|----------------------|
| Amounts payable:            |                       |                      |
| within one year             | 69,195                | 47,887               |
| in the second to fifth year | <u>51,566</u>         | <u>44,038</u>        |
|                             | <u><u>120,761</u></u> | <u><u>91,925</u></u> |

At 31 October 1996 the company had additional commitments in respect of finance leases entered into but whose inception occurred after the balance sheet date amounting to £nil (1995 - £14,424).

**(b) Operating Leases**

At 31 October 1996 the company had annual commitments under operating leases as set out below:

|                                | 1996                  |                      | 1995                  |                      |
|--------------------------------|-----------------------|----------------------|-----------------------|----------------------|
|                                | Land and<br>Buildings | Other                | Land and<br>Buildings | Other                |
| Operating leases which expire: |                       |                      |                       |                      |
| within one year                | 28,944                | 17,574               | 28,944                | -                    |
| in the second to fifth year    | <u>-</u>              | <u>21,735</u>        | <u>-</u>              | <u>13,368</u>        |
|                                | <u><u>28,944</u></u>  | <u><u>39,309</u></u> | <u><u>28,944</u></u>  | <u><u>13,368</u></u> |

**16. Provisions for Liabilities and Charges**

Provision for deferred taxation has been made in these financial statements in accordance with the accounting policy described in Note 1 (e). The amounts provided and the full potential liability are as follows:

|                                | 1996                |                        | 1995                |                        |
|--------------------------------|---------------------|------------------------|---------------------|------------------------|
|                                | Amount<br>Provided  | Potential<br>Liability | Amount<br>Provided  | Potential<br>Liability |
|                                | £                   | £                      | £                   | £                      |
| Accelerated capital allowances | <u><u>6,458</u></u> | <u><u>6,458</u></u>    | <u><u>5,935</u></u> | <u><u>5,935</u></u>    |

**PSD Associates Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 October 1996**

**17. Shareholders' Funds**

|   | Called up<br>Share<br>Capital | Profit and<br>Loss<br>Account | Total    |
|---|-------------------------------|-------------------------------|----------|
| Balance at 1 November 1994 as previously stated | 100                           | 158,065                       | 158,165  |
| Prior year adjustment (see note 8)              | -                             | (19,793)                      | (19,793) |
| As restated                                     | 100                           | 138,272                       | 138,372  |
| Transfer from profit and loss account           | -                             | 104,392                       | 104,392  |
| Balance at 31 October 1995                      | 100                           | 242,664                       | 242,764  |
| Transfer from profit and loss account           | -                             | 61,083                        | 61,083   |
| Balance at 31 October 1996                      | 100                           | 303,747                       | 303,847  |

The share capital comprises:

|                                    | 1996<br>£ | 1995<br>£ |
|------------------------------------|-----------|-----------|
| Authorised                         |           |           |
| 200 Ordinary shares of 50p each    | 100       | 100       |
| Allotted, called up and fully paid |           |           |
| 200 Ordinary shares of 50p each    | 100       | 100       |

**18 Directors' Interest in Contracts**

During the year the company purchased £nil (1995 - £42,520) worth of fixed assets on normal commercial terms from Hi Star Limited, a company in which P Stead, a director, has a material interest.

During the year P Stead, a director of the company, had a maximum liability on his loan account of £28,333 (1995 - £74,181). There are no amounts (1995 - £nil) outstanding at the year end. The loans were interest free, unsecured, and repayable on demand.