

BROOMCO LIMITED
ABBREVIATED REPORT AND ACCOUNTS
31 DECEMBER 1998



M. P. GRIMES & CO.
CHARTERED ACCOUNTANTS
154a Eltham High Street, London. SE9 1BJ

COMPANY INFORMATION

Directors

A S D Lyons
M J Burke
R C Dutton-Forshaw

Secretary

A S D Lyons

Company Number

2532541

Registered Office

Bridge Road
Camberley
SURREY GU15 2QZ

Auditors

M P Grimes & Co
Registered Auditors and Chartered
Accountants
154a Eltham High Street
Eltham
LONDON SE9 1BJ

Bankers

Bank of Scotland
41/51 Grey Street
Newcastle Upon Tyne
NE1 6EE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 1998

Company law requires the directors to prepare the 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 these financial statements the directors are required to:

Select suitable accounting policies and then apply them consistently;

Follow applicable accounting standards subject to any material departures as disclosed and explained in the notes to the accounts.

Make judgements and estimates that are reasonable and prudent;

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

AUDITORS REPORT**TO THE DIRECTORS****31 DECEMBER 1998**

Under section 247B of the Companies Act 1985.

We have examined the abbreviated accounts on pages 6 to 14 together with the financial statements of Broomco Limited prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1998.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A to the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with the section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

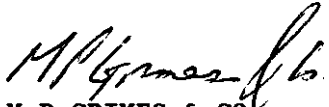
Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered have been properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Companies Act 1985 and the abbreviated accounts on pages 6 to 14 are properly prepared in accordance with that provision.

154a Eltham High Street
Eltham
LONDON SE9 1BJ


M P GRIMES & CO
CHARTERED ACCOUNTANTS

Registered Auditors

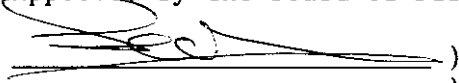
Date: 26 February 1999

BALANCE SHEETAS AT 31 DECEMBER 1998

| | Note | £ | 1998 £ | £ | 1997 £ |
|---|---------|---------|------------|---------|------------|
| <u>FIXED ASSETS</u> | | | | | |
| Tangible Assets | 1c & 10 | | 839,485 | | 869,292 |
| Investments | 12 | | 4 | | 4 |
| | | | <hr/> | | <hr/> |
| | | | 839,489 | | 869,296 |
| <u>CURRENT ASSETS</u> | | | | | |
| Stocks and Work-in-Progress | 1e & 6 | 276,663 | | 204,180 | |
| Debtors and Prepayments | 7 | 476,437 | | 674,101 | |
| Cash at Bank and in Hand | | 102,112 | | 126 | |
| | | <hr/> | | <hr/> | |
| | | 855,212 | | 878,407 | |
| <u>CURRENT LIABILITIES</u> | | | | | |
| <u>Amounts falling due within one year</u> | | | | | |
| Creditors and Accruals | 8a | 464,129 | | 533,362 | |
| | | <hr/> | | <hr/> | |
| <u>NET CURRENT ASSETS</u> | | | 391,083 | | 345,045 |
| | | | <hr/> | | <hr/> |
| <u>TOTAL ASSETS LESS CURRENT LIABILITIES</u> | | | £1,230,572 | | £1,214,341 |
| | | | <hr/> | | <hr/> |
| <u>LONG TERM LIABILITIES</u> | | | | | |
| <u>Amounts falling due after more than one year</u> | | | | | |
| Subordinated Loan Notes | 8c | 300,000 | | 370,000 | |
| Bank Loan | 8b | - | | 34,375 | |
| Property Loan | 8d | 180,095 | | 190,989 | |
| | | <hr/> | 480,095 | <hr/> | 595,364 |
| <u>CAPITAL AND RESERVES</u> | | | | | |
| Called up Share Capital | 14 | 65,000 | | 65,000 | |
| Share Premium Account | 15 | 63,300 | | 63,300 | |
| Revaluation Reserve | 10 & 11 | 233,778 | | 233,778 | |
| Profit and Loss Account | | 388,399 | | 256,899 | |
| | | <hr/> | | <hr/> | |
| Shareholders funds | 16 | | 750,477 | | 618,977 |
| | | | <hr/> | | <hr/> |
| | | | £1,230,572 | | £1,214,341 |
| | | | <hr/> | | <hr/> |

The Directors have relied on sections 247 to 249 of the Companies Act 1985 entitling the company to deliver abbreviated accounts on the grounds that the company is entitled to the benefit of those sections as a medium sized company.

Approved by the Board of Directors on 26 February 1999.


 _____)
 _____) Directors
 _____)

The notes on pages 9 to 14 form part of these financial statements.

CASH FLOW STATEMENTYEAR ENDED 31 DECEMBER 1998

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW(OUTFLOW) FROM OPERATING ACTIVITIES

| | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
| | £ | £ |
| Operating profit | 187,662 | 185,229 |
| Depreciation charges | 87,500 | 77,665 |
| Loss on sale of fixed assets | 1,013 | 593 |
| (Increase)/decrease in stocks | (72,483) | 11,668 |
| (Increase)/decrease in debtors | 197,664 | (177,306) |
| Increase/(decrease) in creditors | 3,390 | 110,816 |
| | <hr/> | <hr/> |
| NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES | £404,746 | £208,665 |
| | ===== | ===== |

CASH FLOW STATEMENT

| | Note | | |
|---|------|------------|------------|
| Net cash inflow/(outflow) from operating activities | | 404,746 | 208,665 |
| Return on investments and servicing of finance | A | (18,906) | (25,306) |
| Taxation | | (31,956) | (24,878) |
| Capital expenditure | B | (58,706) | (71,177) |
| | | <hr/> | <hr/> |
| Dividends paid | | 295,178 | 87,304 |
| | | - | - |
| | | <hr/> | <hr/> |
| Financing | C | 295,178 | 87,304 |
| | | (133,591) | (118,075) |
| | | <hr/> | <hr/> |
| Increase/(decrease) in cash | | £161,587 | £(30,771) |
| | | ===== | ===== |
| Reconciliation of net cash movement to movement in net debt | D | | |
| Increase/(decrease) in cash in the period | | 161,587 | (30,771) |
| Cash (inflow)/outflow from debt and lease financing | | 133,591 | 118,075 |
| | | <hr/> | <hr/> |
| Change in net debt resulting from cashflows | | 295,178 | 87,304 |
| New finance leases | | - | - |
| | | <hr/> | <hr/> |
| Movement in net debt in the period | | 295,178 | 87,304 |
| Opening net debt | | (718,213) | (805,517) |
| | | <hr/> | <hr/> |
| Closing net debt | | £(423,035) | £(718,213) |
| | | ===== | ===== |

NOTES TO CASH FLOW STATEMENTYEAR ENDED 31 DECEMBER 1998

| | £ | <u>1998</u> | £ | <u>1997</u> | £ |
|---|----------|-------------------|----------|-------------------|---|
| Gross cash flows | | | | | |
| A Returns on investments and servicing of finance: | | | | | |
| Interest received | 17,757 | | 7,468 | | |
| Interest paid | (36,663) | | (32,774) | | |
| | | <u>£(18,906)</u> | | <u>£(25,306)</u> | |
| | | ===== | | ===== | |
| B Capital expenditure: | | | | | |
| Payments to acquire tangible fixed assets | (66,806) | | (74,393) | | |
| Receipts from sales of tangible assets | 8,100 | | 3,216 | | |
| | | <u>£(58,706)</u> | | <u>£(71,177)</u> | |
| | | ===== | | ===== | |
| C Financing: | | | | | |
| Increase/(decrease) in bank loan treated as financing | | (63,591) | | (63,075) | |
| Subordinated loan notes | | (70,000) | | (55,000) | |
| | | <u>£(133,591)</u> | | <u>£(118,075)</u> | |
| | | ===== | | ===== | |

D Analysis of net debt

| | At 31 December 1997 £ | Cash Flow £ | Other Changes £ | At 31 December 1998 £ |
|----------------------------------|-----------------------------|-------------------|-----------------------|-----------------------------|
| Net cash | | | | |
| Cash at bank and in hand | 126 | 101,986 | - | 102,112 |
| Bank loans and overdraft | (59,601) | 59,601 | - | - |
| Net cash per cash flow statement | <u>(59,475)</u> | <u>161,587</u> | <u>-</u> | <u>102,112</u> |
| Debt financing | | | | |
| Debt due within 1 year | (63,374) | 18,322 | - | (45,052) |
| Debt due after 1 year | (225,364) | 45,269 | - | (180,095) |
| Subordinated loan notes | (370,000) | 70,000 | - | (300,000) |
| Total net debt | <u>£(718,213)</u> | <u>£295,178</u> | <u>£-</u> | <u>£(423,035)</u> |
| | ===== | ===== | == | ===== |

NOTES TO THE ACCOUNTSYEAR ENDED 31 DECEMBER 19981 ACCOUNTING POLICIES(a) Basis of accounting

There have been no material changes in accounting policies during the year, other than referred to under 1(c). The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and include results of the company's operations as indicated in the directors report all of which are continuing. The company has taken advantage of the provisions provided by Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information concerning the company only and not the group.

(b) Turnover

Turnover is represented by the total of invoiced amounts for goods and services adjusted for accruals net of value added tax. Exports amount to £7,579 (1997 nil).

(c) Tangible Fixed Assets and Depreciation

Tangible fixed assets are stated at cost or revaluation less depreciation.

Depreciation is provided for at rates calculated to write off the cost or revaluation of fixed assets, less their estimated residual value, over their expected useful lives, on a reducing balance basis. Due to market conditions the directors have decided to increase the depreciation charge on Plant and Machinery by 2.5% to 17.5% and now depreciate Fixtures and Fittings at 25% and Computer Equipment at 33.33%.

The rates used were:

| | | | |
|---------------------|-------|-----------------------|--------|
| Plant and Machinery | 17.5% | Fixtures and Fittings | 25% |
| Motor Vehicles | 25% | Computer Equipment | 33.33% |

It is not the company's policy to depreciate freehold property which departs from the requirements of the Companies Act. However, in the Directors opinion this has no material effect on the accounts

(d) Goodwill

Acquired goodwill is written off in equal instalments over its estimated useful economic life. The original cost of goodwill was £100,000 and this has now been fully written off.

(e) Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value.

(f) Deferred Taxation

No provision is made for timing differences between the treatment of certain items for taxation and accounting purposes.

(g) Research and Development

Any expenditure on research and development will be written off as it is incurred.

(h) Pensions

The company does not operate a pension scheme but does make payments on an individual basis to personal pension schemes.

(i) Foreign Currencies

No transactions took place.

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 19982 TURNOVER AND RESULTS

The turnover and profits of the company arise wholly from the company's company's ordinary activities which are carried on in the United Kingdom.

3 OPERATING RESULTS

Operating profit is stated after charging:-

| | <u>1998</u> | <u>1997</u> |
|----------------------------------|-------------|-------------|
| | £ | £ |
| Bank Interest - Loans | 36,663 | 28,686 |
| - Overdraft | - | 4,088 |
| Depreciation | 87,500 | 77,665 |
| Loss on disposal of fixed assets | 1,013 | 593 |
| Directors remuneration | 37,179 | 37,005 |
| Auditors remuneration | 8,250 | 7,950 |
| | ===== | ===== |

4 STAFF COSTS

Staff cost including directors remuneration were as follows:-

| | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
| Salaries, wages and social security costs | £1,120,080 | £1,070,665 |
| | ===== | ===== |
| Average number of employees | | |
| Sales, Technical and Administration | 12 | 11 |
| Factories | 46 | 43 |

5 DIRECTORS REMUNERATION (INCLUDING BENEFITS)

| | <u>1998</u> | <u>1997</u> |
|-----------------------------|-------------|-------------|
| Director's total emoluments | £41,785 | £42,075 |
| | ===== | ===== |
| Highest Paid Director | £41,785 | £42,075 |
| | ===== | ===== |

6 STOCK AND WORK-IN-PROGRESS

| | <u>1998</u> | <u>1997</u> |
|------------------|-------------|-------------|
| | £ | £ |
| Stock | 87,215 | 89,950 |
| Work-in-progress | 189,448 | 114,230 |
| | ===== | ===== |
| | £276,663 | £204,180 |
| | ===== | ===== |

7 DEBTORS

Bad debts are written off and appropriate provision is made for any amounts the collection of which appears doubtful.

| | <u>1998</u> | <u>1997</u> |
|--------------------------------|-------------|-------------|
| | £ | £ |
| Payable within one year | | |
| Trade debtors | 461,300 | 658,163 |
| Other debtors | 4,067 | 4,745 |
| Prepayments and accrued income | 11,070 | 11,193 |
| | ===== | ===== |
| | £476,437 | £674,101 |
| | ===== | ===== |

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 19988 (a) CREDITORS:

| Amounts falling due within one year | <u>1998</u> | <u>1997</u> |
|--|-------------|-------------|
| | £ | £ |
| Property Loan (Secured) | 10,677 | 7,124 |
| Bank Loan (Secured) | 34,375 | 56,250 |
| Bank Overdrafts (Secured) | - | 59,601 |
| Trade Creditors | 250,339 | 247,427 |
| Corporation Tax | 37,300 | 32,000 |
| Other Taxation and Social Security Costs | 97,015 | 98,236 |
| Accruals | 34,423 | 32,624 |
| Other | - | 100 |
| | <hr/> | <hr/> |
| | £464,129 | £533,362 |
| | ===== | ===== |

(b) Bank Facilities

The Bank of Scotland has provided an original term loan of £450,000 with a two year capital repayment holiday. The loan is repayable over 8 years as from December 1992 in 16 half yearly instalments of £28,125. The company has a facility of repaying the whole or part of the loan in £50,000 tranches without penalties. So far the company has repaid one tranche of £50,000 and thirteen instalments of £28,125. The remaining balance of £34,375 will be paid in 1999.

The Bank has been granted a full interlocking security by way of Debenture (First, Fixed and Floating) together with cross letters of guarantees and letters of offset in respect of all borrowings.

(c) Subordinated Loan

The company has issued loan notes to Directors and Shareholders now amounting to £300,000 on an unsecured, interest free basis. The loan notes are not redeemable without prior written consent of the Bank of Scotland and this was obtained before repayments of £70,000 were made during the year.

(d) Property Loan

During 1996 the company acquired the freehold property at Lymington and the purchase was partly financed by a secured loan from Bank of Scotland of £210,000 repayable over 15 years from April 1996.

| | | |
|------------------------------------|-------------|-------------|
| | <u>1998</u> | <u>1997</u> |
| | £ | £ |
| Repayable within one year | 10,677 | 7,124 |
| Repayable after more than one year | 180,095 | 190,989 |

9 TAXATION

Provision for UK taxation is made on the basis of the taxable profit calculated at the appropriate lower corporation tax rate.

| | | |
|----------------------------------|-------------|-------------|
| | <u>1998</u> | <u>1997</u> |
| | £ | £ |
| Provision for UK Corporation Tax | 37,300 | 32,000 |
| Adjustments for previous years | (44) | (122) |
| | <hr/> | <hr/> |
| | £37,256 | £31,878 |
| | ===== | ===== |

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199810 TANGIBLE FIXED ASSETS

| | <u>Total</u> | <u>Plant and Machinery</u> | <u>Fixtures and Fittings</u> | <u>Motor Vehicles</u> | <u>Computer Equipment</u> | <u>Freehold Property</u> |
|----------------------------|--------------|------------------------------------|--------------------------------------|---------------------------|-------------------------------|------------------------------|
| <u>Cost or Revaluation</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> |
| at 1 January 1998 | 1,308,556 | 839,915 | 6,897 | 52,414 | 12,286 | 397,044 |
| Additions | 66,806 | 61,284 | 1,000 | - | 4,522 | - |
| (Withdrawn re Sales) | (30,553) | (28,800) | - | (1,753) | - | - |
| <u>Cost or Revaluation</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> |
| at 31 December 1998 | 1,344,809 | 872,399 | 7,897 | 50,661 | 16,808 | 397,044 |
| <u>Depreciation</u> | | | | | | |
| At 1 January 1998 | 439,264 | 397,878 | 3,936 | 30,274 | 7,176 | - |
| Charge for the period | 87,500 | 78,598 | 915 | 5,530 | 2,457 | - |
| (Withdrawn re Sales) | (21,440) | (19,867) | - | (1,573) | - | - |
| <u>Depreciation at</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> | <u>£</u> |
| 31 December 1998 | 505,324 | 456,609 | 4,851 | 34,231 | 9,633 | - |
| <u>Net Book Value</u> | | | | | | |
| at 31 December 1998 | £ 839,485 | £415,790 | £3,046 | £16,430 | £ 7,175 | £397,044 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| at 31 December 1997 | £ 869,292 | £442,037 | £2,961 | £22,140 | £ 5,110 | £397,044 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

Plant and Machinery acquired by the company on 19 December 1990 had been professionally valued at £775,000 on 8 August 1989 by Messrs Norman Levy Associates Overseas Inc.

In the opinion the directors of Broomco Limited a more conservative current market valuation of £505,000 was considered appropriate. This revaluation gives rise to a reserve of £233,778 above acquisition costs. No provision for taxation is considered necessary in respect of this reserve.

Depreciation has been provided on the revalued element of fixed assets.

The amount of depreciation attributable to the revalued proportion of fixed assets was as follows:-

| | <u>1998</u> | <u>1997</u> |
|---------------------|-------------|-------------|
| | <u>£</u> | <u>£</u> |
| Plant and Machinery | £14,728 | £14,851 |
| | ===== | ===== |

No adjustment has been made to the revaluation reserve in respect of assets sold during the year.

| 11 | <u>REVALUATION RESERVE</u> | <u>1998</u> | <u>1997</u> |
|----|-----------------------------|-------------|-------------|
| | Opening and Closing Balance | £233,778 | £233,778 |
| | | ===== | ===== |

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199812 INVESTMENTS

The company has two wholly owned subsidiary agency companies as shown below:

Engineering and Developments (Lymington) Limited

Two f1 Ordinary Shares

Visual Planning Systems Limited

Two f1 Ordinary Shares

The companies did not trade in the period under review. Both companies were incorporated in England.

13 RELATED PARTY TRANSACTIONS

There are no material transactions during the year.

14 SHARE CAPITAL

| | <u>1998</u> | <u>1997</u> |
|-------------------------------------|-------------|-------------|
| Authorised: | | |
| 500,000 Ordinary Shares of 25p each | £125,000 | £125,000 |
| | ===== | ===== |
| Issued: | | |
| 260,000 Ordinary Shares of 25p each | £ 65,000 | £ 65,000 |
| | ===== | ===== |

15 SHARE PREMIUM ACCOUNT

| | <u>1998</u> | <u>1997</u> |
|-----------------------------|-------------|-------------|
| | £ | £ |
| Balance at 31 December 1998 | £ 63,300 | £ 63,300 |
| | ===== | ===== |

10,000 Ordinary Shares were issued for a premium of £22,500 and 60,000 Ordinary Shares were issued for a premium of £40,800.

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 1998

| | <u>1998</u> | <u>1997</u> |
|---|-------------|-------------|
| | £ | £ |
| Profit for the financial year | 131,500 | 128,045 |
| Dividend | - | - |
| | ----- | ----- |
| Net addition to shareholders' funds | £131,500 | £128,045 |
| Opening shareholders' funds at 1 January 1998 | 618,977 | 490,932 |
| | ----- | ----- |
| Closing shareholders' funds at 31 December 1998 | £750,477 | £618,977 |
| | ===== | ===== |

Shareholders' funds are wholly attributable to equity interests.

17 CONTINGENT LIABILITIES

The company had no contingent liabilities not provided for in these accounts.

NOTES TO THE ACCOUNTS (CONT'D)

YEAR ENDED 31 DECEMBER 1998

18 CAPITAL COMMITMENTS

The company has no capital commitments at the Balance Sheet date (1996 Nil).

19 POST BALANCE SHEET EVENTS

The directors consider that there were no material events that have occurred since 31 December 1998.