

BROOMCO LIMITED

ACCOUNTS

31 DECEMBER 1997



*M. P. GRIMES & CO*

*CHARTERED ACCOUNTANTS*

*154a Eltham High Street, London, SE9 1BJ*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 1997

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 1997

We have examined the abbreviated accounts on pages 6 to 12 together with the full statutory financial statements of Broomco Limited for the year ended 31 December 1997. The scope of our work for the purposes of this report was limited to confirming that the company is entitled to the exemptions claimed in the directors' statement on page 6 and that the abbreviated accounts have been properly prepared from the full financial statements.

In our opinion the company is entitled under Sections 246 to 248 of the Companies Act 1985 to the exemption conferred by Section A of Part 3 of Schedule 8 to that Act in respect of the year ended 31 December 1997 and the abbreviated accounts have been properly prepared from the full financial statements.

On 27 February 1998 we reported as auditors of Broomco Limited to the members on the financial statements required by Section 226 of the Companies Act 1985 and our audit report was as follows:

We have audited the financial statements on pages 5 to 12 which have been prepared under the historical cost convention (as modified by the revaluation of fixed assets) and the accounting policies on page 7.

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.

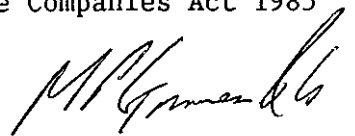
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.

154A Eltham High Street  
Eltham  
London SE9 1BJ

27 February 1998


  
M P GRIMES & CO  
CHARTERED ACCOUNTANTS  
AND  
REGISTERED AUDITORS

BALANCE SHEETAS AT 31 DECEMBER 1997

	Note	<u>1997</u>		<u>1996</u>	
		£	£	£	£
<u>FIXED ASSETS</u>					
Tangible Assets	1c & 10		869,292		876,373
Investments	12		4		4
			<hr/>		<hr/>
			869,296		876,377
<u>CURRENT ASSETS</u>					
Stocks and Work-in-Progress	1e & 6	204,180		215,848	
Debtors and Prepayments	7	674,101		496,795	
Cash at Bank and in Hand		126		153	
		<hr/>		<hr/>	
		878,407		712,796	
<u>CURRENT LIABILITIES</u>					
<u>Amounts falling due within one year</u>					
Creditors and Accruals	8a	533,362		386,562	
		<hr/>		<hr/>	
<u>NET CURRENT ASSETS</u>					
			345,045		326,234
			<hr/>		<hr/>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>					
			£1,214,341		£1,202,611
			=====		=====
<u>LONG TERM LIABILITIES</u>					
<u>Amounts falling due after more than one year</u>					
Subordinated Loan Notes	8c	370,000		425,000	
Bank Loan	8b	34,375		90,625	
Property Loan	8d	190,989		196,054	
		<hr/>	595,364	<hr/>	711,679
<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	16	256,899		128,854	
		<hr/>		<hr/>	
			£1,214,341		£1,202,611
			=====		=====

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 small company.

Approved by the Board of Directors on 27 February 1998.

  
 \_\_\_\_\_ )  
 \_\_\_\_\_ ) Directors  
 \_\_\_\_\_ )

The notes on pages 7 to 12 form part of these financial statements.

NOTES TO THE ACCOUNTSYEAR ENDED 31 DECEMBER 19971 ACCOUNTING POLICIES(a) Basis of accounting

There have been no material changes in accounting policies during the year. 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 companys operations as indicated in the directors report all of which are continuing.

The company has taken advantage of the exemption in FRSI from the requirement to prepare a cash flow statement on the grounds that it is a small company and also the exemption under section 248 of the Companies Act 1985 not to prepare group accounts.

(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 £Nil (1996 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.

The rates used were:

Plant and Machinery	15%
Fixtures and Fittings	15%
Motor Vehicles	25%
Computer Equipment	25%

It is not the companys 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 19972 TURNOVER AND RESULTS

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

3 OPERATING RESULTS

Operating profit is stated after charging:-

	<u>1997</u>	<u>1996</u>
	£	£
Bank Interest - Loans	28,686	24,917
- Overdraft	4,088	9,045
Depreciation	77,665	74,769
Directors remuneration	37,005	26,805
Auditors remuneration	7,950	8,846
	=====	=====

4 STAFF COSTS

Staff cost including directors remuneration were as follows:-

	<u>1997</u>	<u>1996</u>
Salaries, wages and social security costs	£1,070,665	£1,030,375
	=====	=====
Average number of employees		
Sales, Technical and Administration	9	9
Factories	43	41

5 DIRECTORS REMUNERATION (INCLUDING BENEFITS)

	<u>1997</u>	<u>1996</u>
Director's total emoluments	£42,075	£30,835
	=====	=====
Highest Paid Director	£42,075	£30,835
	=====	=====

6 STOCK AND WORK-IN-PROGRESS

	<u>1997</u>	<u>1996</u>
	£	£
Stock	89,950	104,345
Work-in-progress	114,230	111,503
	=====	=====
	£204,180	£215,848
	=====	=====

7 DEBTORS

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

	<u>1997</u>	<u>1996</u>
	£	£
Payable within one year		
Trade debtors	658,163	482,207
Other debtors	4,745	1,032
Prepayments and accrued income	11,193	13,556
	=====	=====
	£674,101	£496,795
	=====	=====

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 19978(a) CREDITORS:

Amounts falling due within one year	<u>1997</u>	<u>1996</u>
	£	£
Property Loan (Secured)	7,124	8,884
Bank Loan (Secured)	56,250	56,250
Bank Overdrafts (Secured)	59,601	28,857
Trade Creditors	247,427	149,590
Corporation Tax	32,000	25,000
Other Taxation and Social Security Costs	98,236	88,028
Accruals	32,624	29,913
Other	100	40
	<hr/>	<hr/>
	£533,362	£386,562
	=====	=====

(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 eleven instalments of £28,125. Two further sums of £28,125 will be paid in 1998.

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 £370,000 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 £55,000 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 loan from Bank of Scotland of £210,000 repayable over 15 years from April 1996.

	<u>1997</u>	<u>1996</u>
	£	£
Repayable within one year	7,124	8,884
Repayable after more than one year	190,989	196,054

9 TAXATION

Provision for UK taxation is made on the basis of the taxable profit calculated at the appropriate small company's rate.

	<u>1997</u>	<u>1996</u>
	£	£
Provision for UK Corporation Tax	32,000	25,000
Adjustments for previous years	( 122)	( 416)
	<hr/>	<hr/>
	£31,878	£24,584
	=====	=====

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199710 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 1997	1,244,335	786,842	6,897	41,816	11,736	397,044
Additions	74,393	63,243	-	10,600	550	-
(Withdrawn re Sales) (	10,172)	( 10,170)	-	( 2)	-	-
<u>Cost or Revaluation</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
at 31 December 1996	1,308,556	839,915	6,897	52,414	12,286	397,044
<u>Depreciation</u>						
At 1 January 1997	367,962	334,515	3,414	24,534	5,499	-
Charge for the period	77,665	69,726	522	5,740	1,677	-
(Withdrawn re Sales) (	6,363)	( 6,363)	-	-	-	-
<u>Depreciation at</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
31 December 1996	439,264	397,878	3,936	30,274	7,176	-
<u>Net Book Value</u>						
at 31 December 1997	£ 869,292	£442,037	£2,961	£22,140	£ 5,110	£397,044
at 31 December 1996	£ 876,373	£452,327	£3,483	£17,282	£ 6,237	£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>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Plant and Machinery	£14,851	£17,472
	=====	=====

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

11	<u>REVALUATION RESERVE</u>	<u>1997</u>	<u>1996</u>
	Opening and Closing Balance	£233,778	£233,778
		=====	=====



NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199712 INVESTMENTS

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

Engineering and Developments (Lymington) Limited  
Two £1 Ordinary Shares  
Visual Planning Systems Limited  
Two £1 Ordinary Shares

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

13 TRANSACTIONS WITH DIRECTORS

There are no material transactions during the year.

14 SHARE CAPITAL

	<u>1997</u>	<u>1996</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>1997</u>	<u>1996</u>
	£	£
Balance at 31 March 1997	£ 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 PROFIT AND LOSS ACCOUNT

	<u>1997</u>	<u>1996</u>
	£	£
Balance at 1 January 1997	128,854	46,503
Profit retained for the year	128,045	82,351
	-----	-----
Balance at 31 December 1997	£256,899	£128,854
	=====	=====

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 1997

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 1997.