

BROOMCO LIMITED

ACCOUNTS

31 DECEMBER 1996

M. P. GRIMES & Co.

CHARTERED ACCOUNTANTS

154a Eltham High Street, London. SE9 1BJ



STATEMENT OF DIRECTORS' RESPONSIBILITIES

YEAR ENDED 31 DECEMBER 1996

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 REPORTTO THE DIRECTORS

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 1996. 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 1996 and the abbreviated accounts have been properly prepared from the full financial statements.

On 28 February 1997 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 1996 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

28 February 1997

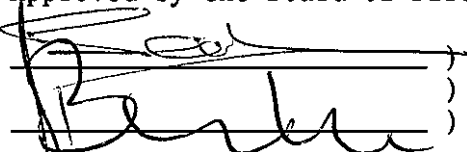

M P GRIMES & CO
CHARTERED ACCOUNTANTS
AND
REGISTERED AUDITORS

BALANCE SHEETAS AT 31 DECEMBER 1996

	Note	<u>1996</u>		<u>1995</u>	
		£	£	£	£
<u>FIXED ASSETS</u>					
Tangible Assets	1c & 10		876,373		463,284
Investments	12		4		4
			<hr/>		<hr/>
			876,377		463,288
<u>CURRENT ASSETS</u>					
Stocks and Work-in-Progress	1e & 6	215,848		230,147	
Debtors and Prepayments	7	496,795		526,913	
Cash at Bank and in Hand		153		93,704	
		<hr/>		<hr/>	
		712,796		850,764	
<u>CURRENT LIABILITIES</u>					
<u>Amounts falling due within one year</u>					
Creditors and Accruals	8a	386,562		446,898	
		<hr/>		<hr/>	
<u>NET CURRENT ASSETS</u>			326,234		403,866
			<hr/>		<hr/>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			£1,202,611		£867,154
			=====		=====
<u>LONG TERM LIABILITIES</u>					
<u>Amounts falling due after more than one year</u>					
Subordinated Loan Notes	8c	425,000		367,498	
Bank Loan	8b	90,625		146,875	
Property Loan	8d	196,054		-	
		<hr/>	711,679	<hr/>	514,373
<u>CAPITAL AND RESERVES</u>					
Called up Share Capital	14	65,000		50,000	
Share Premium Account	15	63,300		22,500	
Revaluation Reserve	10 & 11	233,778		233,778	
Profit and Loss Account	16	128,854		46,503	
		<hr/>		<hr/>	
			£1,202,611		£867,154
			=====		=====

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 28 February 1997.

 Directors

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

NOTES TO THE ACCOUNTSYEAR ENDED 31 DECEMBER 19961 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 company's 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 (1995 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 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 19962 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>1996</u>	<u>1995</u>
	£	£
Bank Interest - Loans	24,917	22,069
- Overdraft	9,045	7,514
Depreciation	74,769	86,191
Directors remuneration	26,805	28,775
Auditors remuneration	8,846	9,470
	=====	=====

4 STAFF COSTS

Staff cost including directors remuneration were as follows:-

	<u>1996</u>	<u>1995</u>
Salaries, wages and social security costs	£1,030,375	£1,046,569
	=====	=====
Average number of employees		
Sales, Technical and Administration	9	10
Factories	41	46

5 DIRECTORS REMUNERATION (INCLUDING BENEFITS)

	<u>1996</u>	<u>1995</u>
Director's total emoluments	£30,835	£32,328
	=====	=====
Highest Paid Director	£30,835	£32,328
	=====	=====

6 STOCK AND WORK-IN-PROGRESS

	<u>1996</u>	<u>1995</u>
	£	£
Stock	104,345	90,511
Work-in-progress	111,503	139,636
	=====	=====
	£215,848	£230,147
	=====	=====

7 DEBTORS

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

	<u>1996</u>	<u>1995</u>
	£	£
Payable within one year		
Trade debtors	482,207	504,360
Other debtors	1,032	1,580
Prepayments and accrued income	13,556	20,973
	=====	=====
	£496,795	£526,913
	=====	=====

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 19968(a) CREDITORS:

Amounts falling due within one year	<u>1996</u>	<u>1995</u>
	£	£
Property Loan (Secured)	8,884	-
Bank Loan (Secured)	56,250	56,250
Bank Overdrafts (Secured)	28,857	-
Trade Creditors	149,590	214,433
Corporation Tax	25,000	38,600
Other Taxation and Social Security Costs	88,028	84,239
Accruals	29,913	53,346
Other	40	30
	<u>£386,562</u>	<u>£446,898</u>
	=====	=====

(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 nine instalments of £28,125. Two further sums of £28,125 will be paid in 1997.

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 £425,000 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 £44,498 were made during the year. In addition loan notes of £102,000 were issued to Directors and Shareholders on an unsecured, interest free basis on the same conditions as previously.

(d) Property Loan

During the year 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>1996</u>	<u>1995</u>
	£	£
Repayable within one year	8,884	-
Repayable after more than one year	196,054	-

9

TAXATION

Provision for UK taxation is made on the basis of the taxable profit calculated at the small company's rate (25%).

	<u>1996</u>	<u>1995</u>
	£	£
Provision for UK Corporation Tax	25,000	38,600
Adjustments for previous years	(416)	(35)
	<u>£24,584</u>	<u>£38,565</u>
	=====	=====

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199610 TANGIBLE FIXED ASSETS

	<u>Total</u>	<u>Caravan and Leases</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>	<u>£</u>
at 1 January 1996	767,249	2	709,267	6,897	41,816	9,267	-
Additions	497,508	-	97,995	-	-	2,469	397,044
(Withdrawn re Sales)	(20,422)	(2)	(20,420)	-	-	-	-
<u>Cost or Revaluation</u>							
at 31 December 1996	1,244,335	-	786,842	6,897	41,816	11,736	397,044
<u>Depreciation</u>							
At 1 January 1996	303,965	-	278,597	2,799	18,774	3,795	-
Charge for the period	74,769	-	66,690	615	5,760	1,704	-
(Withdrawn re Sales)	(10,772)	-	(10,772)	-	-	-	-
<u>Depreciation at</u>							
31 December 1996	367,962	-	334,515	3,414	24,534	5,499	-
<u>Net Book Value</u>							
at 31 December 1996	£ 876,373	£0	£452,327	£3,483	£17,282	£ 6,237	£397,044
at 31 December 1995	£ 463,284	£2	£430,670	£4,098	£23,042	£ 5,472	£ -

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>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Plant and Machinery	£17,472	£20,556
	=====	=====

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

11 REVALUATION RESERVE

	<u>1996</u>	<u>1995</u>
Opening and Closing Balance	£233,778	£233,778
	=====	=====

NOTES TO THE ACCOUNTS (CONT'D)YEAR ENDED 31 DECEMBER 199612 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>1996</u>	<u>1995</u>
Authorised:		
500,000 Ordinary Shares of 25p each	£125,000	£125,000
	=====	=====
Issued:		
260,000 Ordinary Shares of 25p each	£ 65,000	£ 50,000
	=====	=====

15 SHARE PREMIUM ACCOUNT

	<u>1996</u>	<u>1995</u>
	£	£
10,000 Ordinary Shares were issued at a premium of £2.25 per share	22,500	22,500
During the financial year 60,000 Ordinary Shares were issued at a premium of 68p per share	40,800	-
	=====	=====
	£ 63,300	£ 22,500
	=====	=====

16 PROFIT AND LOSS ACCOUNT

	<u>1996</u>	<u>1995</u>
	£	£
Balance at 1 January 1996	46,503	(59,799)
Profit retained for the year	82,351	106,302
	=====	=====
Balance at 31 December 1996	£128,854	£ 46,503
	=====	=====

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 1996

18 CAPITAL COMMITMENTS

The company has no capital commitments at the Balance Sheet date (1995 Nil).

19 POST BALANCE SHEET EVENTS

The directors consider that there were no material events that have occurred since 31 December 1996.