

Registered No: 1854917



ADAMSON MODULAR SYSTEMS LIMITED

30 April 1991

## REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements for the year ended 30 April 1991.

### CHANGE OF NAME

The company changed its name to Adamsens Modular Systems Limited on 19 November 1990, and to Adamson Modular Systems Limited on 5 March 1991.

### PRINCIPAL ACTIVITY

The principal activity of the company is the manufacture of special freight containers and site security units.

### REVIEW OF THE BUSINESS

At the start of the financial year production schedules continued to be disrupted by delays previously experienced in the manufacture of new types of containers in late 1989. These delays resulted in significant financial penalties under contractual arrangements then in force with certain customers.

Subsequent to acquisition on 15 October 1990 the Company has undertaken a long term restructuring of its major business activities. Prior to commencing this restructuring the Directors anticipated the realisation of certain trading losses prior to a return to profitable trading.

Realisation of these losses has resulted in the financial structure of the business being altered as more fully explained in Note 24 of these financial statements.

The Directors believe that the process of restructuring the business will be largely complete by March 1993 and thereafter the Company will move from a break even position into profitable trading thereby avoiding the need for further refinancing.

### RESULTS AND DIVIDENDS

The results for the year are set out in the profit and loss account on page 4. The directors do not recommend the payment of a dividend.

### DIRECTORS

The directors at the date of signing these financial statements were:

Stephen C Parris	(appointed 15 October 1990)
Paul J Rath	(appointed 27 March 1991)
Paul J Schofield	(appointed 1 November 1991)

The following have also served as directors:

Rodger G Braidwood	(resigned 16 October 1990)
J William Brockbank	(appointed 27 March 1991, resigned 24 February 1992)
Thomas N Clarke	(resigned 15 October 1990, reappointed 16 October 1990 and resigned 19 November 1990)
Eric Godwin	(resigned 16 October 1990)
John Lomas	(resigned 15 October 1990, reappointed 16 October 1990 and resigned 30 October 1991)
Michael Mees	(resigned 15 October 1990)
Robert J Montague	(resigned 16 October 1990)
Christopher A Palmer	(resigned 16 October 1990)
Nicholas H Smith	(appointed 12 October 1990, resigned 16 October 1990)

REPORT OF THE DIRECTORS continued

DIRECTORS (continued)

None of the previous directors had any interest in the shares of the company except for one ordinary share held jointly by Messrs Montague and Goodwin as nominees.

None of the directors, other than Mr Parris had any interest in shares in the company. Mr Parris' interests are set out below.

Following the announcement in May 1990 that Tiphook Plc were disposing of all of their manufacturing interests, the company was acquired on 15 October 1990 by two companies, Seaton Place Nominees Limited and Esplanade Nominees Limited. These nominee companies hold the shares as nominees on behalf of the Parris Family Settlement II; Mr Parris and his family are discretionary beneficiaries of the settlement.

FIXED ASSETS

The movements in fixed assets are shown in notes 11 and 13 of these accounts.

DISABLED PERSONS

The company has an established policy of encouraging the employment of disabled persons wherever this is practicable. In compliance with current legislation the company seeks to employ at least the quota of disabled persons required. The company endeavours to ensure that disabled employees benefit from training and career development programmes in common with all employees.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Contributions during the period to United Kingdom charitable organisations amounted to £nil (1990 - £nil).

AUDITORS

A resolution to re-appoint Touche Ross & Co as auditors will be proposed at the Annual General Meeting.

By order of the board

  
P Schofield

Secretary

15 January 1993



## Chartered Accountants

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## REPORT OF THE AUDITORS TO THE MEMBERS OF ADAMSON MODULAR SYSTEMS LIMITED (Formerly Adamsons Modular Systems Limited formerly Tiphook Modular Systems Limited).

We have audited the financial statements on pages 4 to 15 in accordance with Auditing Standards.

The financial statements have been prepared on a going concern basis. This basis may not be appropriate because it depends on the ability of the company to move into profitable trading and then to generate sufficient profits to allow it to continue trading.

The directors believe that this can be done but should the company be unable to achieve the directors' budgets, continuity of trading may depend on raising additional finance.

Should the company be unable to continue trading, adjustments would have to be made to reduce the value of the assets to their recoverable amount and to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Subject to the company being able to continue trading, in our opinion the financial statements give a true and fair view of the state of affairs of the company at 30 April 1991 and of the loss and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**TOUCHE ROSS & CO.**  
Chartered Accountants  
and Registered Auditor

15 January 1993

PROFIT AND LOSS ACCOUNT  
Year ended 30 April 1991

	Note	1991 £	1990 £
Turnover	2	9,710,362	13,295,534
Cost of sales		(9,685,026)	(12,507,830)
Gross profit		<u>25,336</u>	<u>787,704</u>
Administration expenses		(3,441,654)	(1,181,742)
Other operating income	3	603,042	-
Operating loss		<u>(2,813,276)</u>	<u>(394,038)</u>
Interest receivable and similar income	6	44,954	21,000
Interest payable and similar charges	7	(649,187)	(531,599)
Loss before exceptional item		<u>(3,417,509)</u>	<u>(904,637)</u>
Exceptional item	8	(1,563,000)	(400,000)
Loss on ordinary activities before taxation	3	<u>(4,980,509)</u>	<u>(1,304,637)</u>
Tax on profit on ordinary activities	9	-	-
Extraordinary item	10	4,060,088	-
Loss for the financial year	20	<u>(920,421)</u>	<u>(1,304,637)</u>

## BALANCE SHEET

30 April 1991

	Note	1991 £	£	1990 £	£
<b>FIXED ASSETS</b>					
Tangible assets	11	1,215,442		1,595,103	
Investments	13	246,800		-	
		<u>1,462,242</u>		<u>1,595,103</u>	
<b>CURRENT ASSETS</b>					
Stocks	14	1,100,000	2,264,361		
Debtors	15	915,444	2,257,552		
Cash at bank and in hand		2,002,318	53,471		
		<u>4,017,762</u>	<u>4,575,384</u>		
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	16	(7,207,840)	(7,074,813)		
<b>NET CURRENT LIABILITIES</b>		<u>(3,190,078)</u>	<u>(2,499,429)</u>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,727,836)</u>	<u>(904,326)</u>		
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	17	(730,286)	(633,375)		
		<u>(2,458,122)</u>	<u>(1,537,701)</u>		
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19	10,000	10,000		
Profit and loss account	20	(2,468,122)	(1,547,701)		
		<u>(2,458,122)</u>	<u>(1,537,701)</u>		

These financial statements were approved by the board of directors on 15 January 1993.

Signed on behalf of the Board of Directors

P J Rath

P J Schofield

Directors

**SOURCE AND APPLICATION OF FUNDS**  
 for the year ended 30 April 1991

	£	1991	£	1990	£
<b>SOURCE OF FUNDS</b>					
Loss on ordinary activities before taxation		(4,980,509)		(1,304,637)	
Adjustment for items not involving the movement of funds:					
Loss on disposal of fixed assets		15,834		-	
Depreciation		471,241		337,075	
Amortisation of fixed asset investments		331,345		147,078	
Sale of fixed assets		370,215		-	
<b>FUNDS ABSORBED BY OPERATIONS</b>		<u>(3,791,874)</u>		<u>(820,484)</u>	
<b>FUNDS FROM OTHER SOURCES</b>					
Amounts due to former holding company forgiven	4,060,088		-		
Working capital loan	2,000,000		-		
Finance leases entered into	-		895,381		
		<u>6,060,088</u>		<u>895,381</u>	
		<u>2,268,214</u>		<u>74,897</u>	
<b>APPLICATION OF FUNDS</b>					
(Increase)/decrease in operating working capital (note)	1,122,069		333,836		
Purchase of tangible fixed assets	(477,629)		(781,332)		
Purchase of investments	(578,145)		-		
Repayment of finance leases	(60,063)		(16,360)		
		<u>6,232</u>		<u>(463,856)</u>	
<b>NET FUNDS APPLIED</b>		<u>2,274,446</u>		<u>(388,959)</u>	
<b>Funded by:</b>					
Decrease/(increase) in bank overdraft	52,809		(441,592)		
Increase in cash at bank and in hand	1,948,847		52,633		
		<u>2,274,446</u>		<u>(388,959)</u>	
<b>Note:</b>					
<b>Movement in operating working capital:</b>					
Decrease/(increase) in stocks	1,164,361		(574,035)		
Decrease/(increase) in debtors	1,342,108		(141,044)		
(Decrease)/increase in creditors	(1,384,400)		1,048,915		
		<u>1,122,069</u>		<u>333,836</u>	

## NOTES TO THE ACCOUNTS

30 April 1991

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

## (a) ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

## (b) TURNOVER

Turnover is the amount derived from the provision of goods falling within the company's ordinary activities after deduction of trade discounts and Value Added Tax.

## (c) DEPRECIATION

Depreciation is provided on the cost of tangible fixed assets in equal annual instalments over the estimated useful lives of the assets, which are as follows:

	1991 Estimated Useful life	1990 Estimated Useful life
Motor vehicles	3 years	3 years
Plant and machinery	5 - 10 years	10 - 20 years
Fixtures and fittings	3 - 5 years	3 - 5 years
Computer equipment	5 years	10 years

The estimated useful lives have been reviewed by management and depreciation rates adjusted accordingly.

## (d) DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

## (e) STOCKS AND WORK IN PROGRESS

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

## (f) PENSIONS

The company has operated two pension schemes during the year. Up until 31 December 1990 the company was a member of the pension schemes operated by its former holding company. The former holding company operates two defined benefit pension schemes covering the majority of its permanent employees in the UK. The schemes' funds are administered by trustees and are independent of the group's finances. Contributions are paid to the schemes in accordance with the recommendations of independent actuaries on the basis of triennial actuarial valuations. The company's contributions were charged against profits for the period to which they relate. On 1 January 1991 the company entered into a defined contribution pension scheme for some of its permanent employees. The schemes funds are administered by trustees and are independent of the company finances. The pension cost represents the contributions payable to the pension scheme in respect of the period from 1 January to the year end.



NOTES TO THE ACCOUNTS  
30 April 1991

## (g) LEASES

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the lease.

The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

## (h) CUSTOMER ADVANCE PAYMENTS

Where a customer makes an advance payment by means of a deposit with order, this is recorded in balance sheet creditors and released to profit and loss account only upon the despatch of the goods.

## (i) INVESTMENTS

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

## (j) FOREIGN EXCHANGE

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

## 2. ANALYSIS OF TURNOVER AND LOSS

	<u>1991</u>	<u>1990</u>
	£	£

All of the company turnover and loss relate to its principal activity.

The turnover attributable to each of the company's geographical markets is:

United Kingdom	3,762,868	2,344,715
Western Europe	5,947,494	10,944,716
Southern Africa	-	6,103
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	9,710,362	13,295,534
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## NOTES TO THE ACCOUNTS

30 April 1991

## 3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	<u>1991</u> £	<u>1990</u> £
Loss on ordinary activities before taxation is arrived at after charging:		
Depreciation of owned assets	458,897	326,744
Depreciation of leased assets	12,344	10,331
Auditors' remuneration	24,948	15,359
Loss on disposal of fixed assets	15,834	147,078
Foreign exchange gain	603,042	-

## 4. EMPLOYEES

	<u>1991</u> No	<u>1990</u> No
The average number employed by the group within each category of persons was:		

Production staff	156	206
Sales and distribution staff	6	5
Administration staff	53	55
	<u>245</u>	<u>266</u>

The costs incurred in respect of these employees were:

	<u>1991</u> £	<u>1990</u> £
Wages and salaries	3,138,778	3,027,254
Social security costs	319,788	293,697
Other pension costs	41,758	54,502
	<u>3,500,324</u>	<u>3,375,453</u>

## 5. DIRECTORS

	<u>1991</u> £	<u>1990</u> £
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Emoluments of directors of the company were:

Management remuneration	98,257	235,609
Compensation paid to directors for loss of office	-	73,532
	<u>98,257</u>	<u>309,141</u>

The emoluments, excluding pension contributions, of directors were:

Chairman	Nil	Nil
Highest paid director	35,797	72,833

NOTES TO THE ACCOUNTS  
30 April 1991

## 5. DIRECTORS continued

	<u>Number of directors</u>	
£0 - £5,000	8	3
£5,001 - £10,000	-	2
£10,001 - £15,000	-	1
£20,001 - £25,000	1	1
£35,001 - £40,000	2	1
£55,001 - £60,000	-	1

## 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	<u>1991</u>	<u>1990</u>
	£	£
On inter-company current accounts	-	21,000
On bank deposits	44,954	-
	<u>44,954</u>	<u>21,000</u>

## 7. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1991</u>	<u>1990</u>
	£	£
Inter-company finance charges on leases	-	43,222
On inter-company loan accounts	-	485,656
Finance charges on finance leases	314,506	2,721
Term loan	327,720	-
On bank loans and overdrafts	1,865	-
Other	5,096	-
	<u>£649,187</u>	<u>£531,599</u>

## 8. EXCEPTIONAL ITEMS

	<u>1991</u>	<u>1990</u>
	£	£
Provision for customer claim and rectification costs	856,968	400,000
Exceptional costs incurred in the production department relating to restructuring of the business	706,032	-
	<u>1,563,000</u>	<u>400,000</u>

## NOTES TO THE ACCOUNTS

30 April 1991

## 9. TAXATION

No tax charge arises as a result of the loss incurred in the year.

## 10. EXTRAORDINARY ITEM

	<u>1991</u> £	<u>1990</u> £
Balances due by the company to its former holding company forgiven at the date of its sale	4,060,088	-

The taxation charge on the extraordinary item is nil.

## 11. TANGIBLE ASSETS

	<u>Motor vehicles</u> £	<u>Plant and machinery</u> £	<u>Fixtures and fittings</u> £	<u>Total</u> £
COST				
At 1 May 1990	23,739	1,851,234	398,248	2,273,221
Intercategory transfer	6,620	(1,269)	(5,351)	-
Additions	53,299	307,918	116,412	477,629
Disposals	-	(633,161)	(288,459)	(921,620)
At 30 April 1991	83,658	1,524,722	220,850	1,829,230

## DEPRECIATION

At 1 May 1990	3,026	499,717	175,375	678,118
Intercategory transfer	368	(1,937)	1,569	-
Charge for the year	13,731	365,096	92,414	471,241
On disposals	-	(361,900)	(173,671)	(535,571)
At 30 April 1991	17,125	500,976	95,687	613,788

## NET BOOK VALUE

At 30 April 1991	66,533	1,023,746	125,163	1,215,442
At 30 April 1990	20,713	1,351,517	222,873	1,595,103

Included in motor vehicles are assets with net book value £28,061 (1990 - £23,774) held under finance leases.

## 12. FUTURE CAPITAL EXPENDITURE

There were no amounts either contracted or authorised (1990 - Nil).

## NOTES TO THE ACCOUNTS

30 April 1991

## 13. INVESTMENTS HELD AS FIXED ASSETS

a)	COST	Listed Investments £	Other Investments £	Total £
	At 1 May 1990	-	-	-
	Acquired	460,145	118,000	578,145
	At 30 April 1991	<u>460,145</u>	<u>118,000</u>	<u>578,145</u>
	PROVISIONS			
	At 1 May 1990	-	-	-
	Provided in the year	213,345	118,000	331,345
	At 30 April 1991	<u>213,345</u>	<u>118,000</u>	<u>331,345</u>
	NET BOOK VALUE			
	At 30 April 1991	<u>246,800</u>	-	<u>246,800</u>
	At 30 April 1990	-	-	-
b)	LISTED INVESTMENTS			
			NET BOOK VALUE	
			1991	1990
			£	£
	On a recognised stock exchange		246,800	-
			<u>246,800</u>	-
c)	RELATED PARTY TRANSACTIONS			

During the year the company purchased shares in Corporate Data Systems Inc. from Mr Parris at his original acquisition cost. The shares are listed as a NASDAQ stock with trading on a matched basis only until December 1992. It is the company's intention to hold the shares as a long term investment. In view of the lack of a readily available current valuation they have been fully provided against in these accounts.

In November 1990 the company purchased certain quoted investments for a total consideration of £460,145 at their then mid market value from its shareholder, Stephen Parris Family Settlement No 11. Mr Stephen Parris, a director of the company is a discretionary beneficiary of the Trust.

Mr Parris holds both of the investments referred to above as nominee for the company.

## NOTES TO THE ACCOUNTS

30 April 1991

14. STOCKS	<u>1991</u>	<u>1990</u>
	£	£
Raw materials and consumables	562,100	1,157,195
Work in progress	392,900	1,082,536
Finished goods and goods for resale	145,000	24,630
	<u>1,100,000</u>	<u>2,264,361</u>
15. DEBTORS	<u>1991</u>	<u>1990</u>
	£	£
Trade debtors	384,403	1,866,334
Other debtors	290,023	71,634
Prepayments and accrued income	26,595	23,809
Taxation and social security	214,423	295,775
	<u>915,444</u>	<u>2,257,552</u>
16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	<u>1991</u>	<u>1990</u>
	£	£
Bank overdraft (unsecured)	247,919	573,518
Trade creditors	1,144,216	2,302,053
Amounts owed to group company	-	3,129,514
Obligations under finance leases	99,394	256,368
Other creditors	2,035,306	59,157
Taxation and social security	66,433	86,909
Accruals and deferred income	1,883,546	275,342
Customer advance payments	1,731,026	391,952
	<u>7,207,840</u>	<u>7,074,813</u>
17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	<u>1991</u>	<u>1990</u>
	£	£
Obligations under finance leases	730,286	633,375
a) Obligations under finance leases		
	£	£
Amounts falling due in second to fifth years inclusive	730,286	633,375
Amounts falling due in more than five years	-	-
	<u>730,286</u>	<u>633,375</u>

NOTES TO THE ACCOUNTS  
30 April 1991

## 18. PROVISION FOR LIABILITIES AND CHARGES

## DEFERRED TAXATION

As explained in note 1, provision is only made in respect of significant timing differences to the extent that it is probable that such tax will become payable. As a result, provision has not been made for deferred taxation. The full potential liability calculated using a 33% (1990 - 33%) tax rate is made up as follows:

	<u>1991</u> £	<u>1990</u> £
Capital allowances in excess of depreciation	(108,925)	79,028
Other timing differences	(146,850)	(79,028)
	<u>(255,775)</u>	<u>-</u>

There are losses of £6,700,000 which are carried forward and can be set off against future trading profits. £1,861,000 of total losses available for carry forward against future profits relate to the period when the trade was carried on in a different company. The claim to carry these losses forward in this company under S343 ICTA 1988 has not yet been agreed with the Inland Revenue.

## 19. CALLED UP SHARE CAPITAL

	<u>1991</u> £	<u>1990</u> £
Authorised:		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>
Allotted and fully paid		
10,000 Ordinary shares of £1 each	10,000	10,000
	<u>          </u>	<u>          </u>

## 20. RESERVES

	Profit and loss account
At 1 May 1990	(1,547,701)
Loss for the year	(920,421)
At 30 April 1991	<u>(2,468,122)</u>

## 21. PENSIONS

Up until 31 December 1990 the company was a member of the Tiphook Plc Group Retirement Benefit scheme. The full regular cost of providing benefits to the company's members of the group pension scheme was charged in these accounts. Variations from regular cost could not be accurately allocated on a company by company basis and, accordingly, the group variations are dealt with in the accounts of Tiphook Plc. Details of the actuarial valuation of the group scheme and the treatment of the actuarial deficit are given in those accounts.

NOTES TO THE ACCOUNTS  
30 April 1991

22. OPERATING LEASE COMMITMENTS

At 30 April 1991 the company was committed to making the following payments during the next year in respect of operating leases.

Leases which expire:	Land and buildings £	Fixtures and fittings £
Within one year	-	4,739
Within 2 to 5 years	-	52,382
After 5 years	-	-
	<hr/>	<hr/>
	-	57,121
	<hr/>	<hr/>

23. CONTINGENT LIABILITIES

- (a) The company is the defendant in a case for damages involving a claim for personal injury in the United States of America resulting from defective workmanship. The directors consider that the likelihood of the claim being settled against the company is extremely remote, and are unable to quantify the possible costs that would be incurred.
- (b) The company is the defendant in a case for unpaid rents by a company from which Adamson Modular Systems acquired certain business assets in 1984. The directors consider that the likelihood of the claim being settled against the company is remote and are unable to quantify the costs that would be incurred.

24. POST BALANCE SHEET EVENT

On 15 October 1990 the Company was sold by its former holding company. The incoming management team commenced a company wide restructuring programme which, it was anticipated would realise certain trading losses before the Company returned to profitable trading. The severity of the general economic climate has lengthened the restructuring process and the Directors do not anticipate a return to profitable trading prior to April 1991.

As a result of the above the Company has restructured certain short term indebtedness as below:

- (a) £4m of short term indebtedness due at 30 April 1991 has been converted into 3.75% non-cumulative redeemable preference shares. The preference shares have a first redemption date of 31 July 1998. Earlier redemption is permitted at the Company's sole option or on a change of ownership of the Company.
- (b) A further £0.3m of short term indebtedness at 30 April 1991 has been converted into a secured term loan repayable quarterly in three equal tranches commencing 30 June 1993. This loan is interest free until 30 April 1993 and thereafter bears interest at 2 1/2% over base rate.