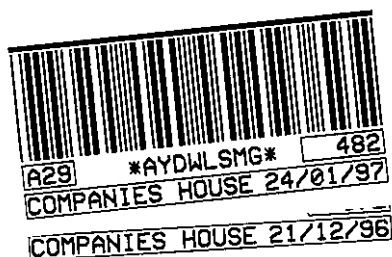


Burrows & Smith Limited

**Directors' report and
abbreviated financial statements**

29 February 1996

Registered number 366790



Burrows & Smith Limited

Directors' report and abbreviated financial statements

<i>Contents</i>	<i>Page</i>
Directors' report	1 - 2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8 - 17

Burrows & Smith Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 29 February 1996.

Principal activities

The principal activity of the company is precision engineering and there has been no change during the year.

Business review

	£
Profit on ordinary activities before taxation	158,473
Taxation charge	(47,303)
	<hr/>
Profit for the financial year	111,170
Proposed dividend	(32,000)
	<hr/>
Retained profit for the year	<u>79,170</u>

Margins were again under pressure and the final profit figure did not reflect the level of activity during the year. Capital investment of over £450,000 was made to improve productivity.

The new year has started with good demand and several major new projects will come on schedule during the year.

Proposed Dividend

The directors recommend that an ordinary dividend of £32,000 be paid.

Fixed assets

Movements in fixed assets during the year are shown in note 7 to the accounts.

Burrows & Smith Limited

Directors' report *(continued)*

Directors and directors' interests

The directors during the year together with their interests in the shares of the company were as follows:

	Ordinary shares of £1 1996 and 1995
DC Burrows	30,000
DG Barwell	2,500
NJ Hammonds	2,500

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



NJ Hammonds
Secretary

Saffron Lane
Leicester
LE2 6UH

8 May 1996

Burrows & Smith Limited

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 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 Waterloo Way
Leicester
LE1 6LP

Report of the auditors to the directors of Burrows & Smith Limited pursuant to paragraph 24 of Schedule 8 to the Companies Act 1985

We have examined the abbreviated accounts on pages 6 to 17 together with the financial statements of Burrows & Smith Limited prepared under section 226 of the Companies Act 1985 for the year ended 29 February 1996.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the exemptions claimed in the directors' statement on page 7 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 29 February 1996, and the abbreviated accounts on pages 6 to 17 have been properly prepared in accordance with that Schedule.

Other information

On the same date as this report we reported, as auditors of Burrows & Smith Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 29 February 1996, and our audit report was as follows:

"We have audited the financial statements on pages 5 to 16.

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.

Report of the auditors to the directors of Burrows & Smith Limited
pursuant to paragraph 24 of Schedule 8 to the Companies Act 1985 (continued)

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 29 February 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985."

Chartered Accountants
Registered Auditors

14 November 1996.

Burrows & Smith Limited

Profit and loss account

for the year ended 29 February 1996

	<i>Note</i>	1996 £	1995 £
Gross profit		2,813,228	2,442,103
Sales and distribution costs		(88,559)	(177,374)
Administrative expenses		(2,602,903)	(2,244,424)
Trading profit		121,766	20,305
Income from other fixed asset investments		36,980	33,754
Interest receivable and similar income		4,890	23,846
Interest payable and similar charges		(5,163)	-
Profit on ordinary activities before taxation	2	158,473	77,905
Tax on profit on ordinary activities	5	(47,303)	(23,514)
Profit for the financial year after taxation	6	111,170	54,391
Dividends proposed		(32,000)	(24,000)
Retained profit for the financial year	14/15	79,170	30,391

The company has no recognised gains or losses other than the profit for the year.

The profit on ordinary activities calculated on a historical cost basis is £165,989 (1995 : £85,614) and the retained profit for the year is £86,686 (1995 : £38,100).

Burrows & Smith Limited

Balance sheet at 29 February 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	7	1,845,989		1,674,478	
Investments	8	2,000		2,000	
		<u>1,847,989</u>		<u>1,676,478</u>	
Current assets					
Stocks	9	1,255,736	997,574		
Debtors	10	1,974,004	1,652,411		
Cash at bank and in hand		683	206,202		
		<u>3,230,423</u>	<u>2,856,187</u>		
Creditors: amounts falling due within one year	11	<u>(2,131,174)</u>	<u>(1,670,597)</u>		
Net current assets		<u>1,099,249</u>		<u>1,185,590</u>	
Total assets less current liabilities		<u>2,947,238</u>		<u>2,862,068</u>	
Provisions for liabilities and charges	12	<u>(77,335)</u>		<u>(71,335)</u>	
Net assets		<u>2,869,903</u>		<u>2,790,733</u>	
Capital and reserves					
Called up share capital (non-equity interests are included)	13	106,376	106,376		
Profit and loss account	14	2,045,382	1,958,696		
Revaluation reserve	14	718,145	725,661		
Shareholders' funds	15	<u>2,869,903</u>		<u>2,790,733</u>	

The directors have taken advantage of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985 on the basis that the company qualifies as a medium company.

These financial statements were approved by the board of directors on 8 May 1996 and were signed on its behalf by:

DC Burrows
Director

NJ Hammonds
Director

KPMG

Burrows & Smith Limited

Cash flow statement

for the year ended 29 February 1996

	Note	1996		1995	
		£	£	£	£
Net cash (outflow)/inflow from operating activities	17	(149,485)		267,986	
Return on investments and servicing of finance					
Interest received		4,890		23,846	
Interest paid		(5,163)		-	
Dividends paid		(24,000)		(12,000)	
Income from other investments		36,980		33,754	
		<hr/>		<hr/>	
Net cash inflow from returns on investment and servicing of finance		12,707		45,600	
Taxation					
UK corporation tax (paid)/recovered		(19,316)		16,993	
Investing activities					
Purchase of tangible fixed assets		(461,159)		(409,978)	
Sale of tangible fixed assets		38,950		9,488	
		<hr/>		<hr/>	
Net cash outflow from investing activities		(422,209)		(400,490)	
Decrease in cash and cash equivalents	18	(578,303)		(69,911)	
		<hr/>		<hr/>	

Burrows & Smith Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain land and buildings.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost or valuation of fixed assets on the reducing balance basis at the following annual rates:

Freehold buildings	-	2.5%
Plant and machinery	-	20%
Fixtures, fittings and motor vehicles	-	25%

No depreciation is provided on freehold land.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the company, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Deferred taxation

Provision is made for deferred taxation on the excess of the book value of fixed assets, other than freehold industrial land and buildings, over their corresponding written down amounts for tax purposes, at the rates of taxation expected to apply when such liabilities crystallise.

Burrows & Smith Limited

Notes (continued)

2 Profit on ordinary activities before taxation

	1996 £	1995 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	6,555	6,365
Other services	5,445	3,900
(Profit)/loss on sale of fixed assets	(29,478)	4,811
Depreciation	<u>(280,177)</u>	<u>(235,651)</u>

3 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
Remuneration	153,127	136,400
Pension contributions	<u>20,939</u>	<u>24,780</u>
	<u>174,066</u>	<u>161,180</u>

The emoluments, excluding pension contributions, of the chairman and highest paid director were £58,878 (1995 : £54,515).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

	Number of directors	
	1996	1995
£35,001 - £40,000	-	1
£40,001 - £45,000	-	1
£50,001 - £55,000	2	1
£55,001 - £60,000	1	-

Burrows & Smith Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1996	1995
Productive and technical	160	142
Administrative and managerial	8	8
	<u>168</u>	<u>150</u>

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	2,679,601	2,347,467
Social security costs	262,478	222,607
Other pension costs	15,000	20,000
	<u>2,957,079</u>	<u>2,590,074</u>

5 Taxation

	1996 £	1995 £
UK corporation tax charge on the profit for the year on ordinary activities	39,300	28,194
Deferred taxation credit/(credit)	8,000	(5,000)
Tax attributable to franked investment income	200	320
Adjustments in respect of prior years	(197)	-
	<u>47,303</u>	<u>23,514</u>

6 Dividends

	1996 £	1995 £
Ordinary shares		
Final proposed	<u>32,000</u>	<u>24,000</u>

Burrows & Smith Limited

Notes (continued)

7 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings, tools and equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>					
At beginning of year	846,086	3,854,786	269,891	143,887	5,114,650
Additions	-	427,481	21,735	11,943	461,159
Disposals	-	(276,244)	-	(10,275)	(286,519)
At end of year	846,086	4,006,023	291,626	145,555	5,289,290
<i>Depreciation and diminution in value</i>					
At beginning of year	32,475	3,107,485	233,112	67,100	3,440,172
Charge for year	9,966	234,008	14,629	21,574	280,177
On disposals	-	(269,211)	-	(7,837)	(277,048)
At end of year	42,441	3,072,282	247,741	80,837	3,443,301
<i>Net book value</i>					
At 29 February 1996	803,645	933,741	43,885	64,718	1,845,989
At 28 February 1995	813,611	747,301	36,779	76,787	1,674,478

The land and buildings were revalued to the open market value in 1991.

Particulars relating to revalued assets are given below:

	1996 £	1995 £
Historical cost of revalued assets	165,581	165,581
Aggregate depreciation based on historical cost	(80,081)	(77,631)
Historical cost net book value	85,500	87,950

The gross amount of depreciable fixed assets included in land and buildings is £421,086 (1995 : £421,086).

Burrows & Smith Limited

Notes (continued)

8 Investments

The company holds an investment in an unlisted company at a cost of £2,000.

9 Stocks

	1996 £	1995 £
Raw materials and consumables	67,477	72,957
Work in progress	1,188,259	924,617
	<u>1,255,736</u>	<u>997,574</u>

10 Debtors

	1996 £	1995 £
Trade debtors	1,926,077	1,583,952
Other debtors	33,326	54,870
Prepayments	14,601	13,589
	<u>1,974,004</u>	<u>1,652,411</u>

Other debtors include £6,376 (1995 : £6,376) advanced to trustees, who hold preference shares in the company for issue to employees. There are no terms for the repayment of these advances.

11 Creditors: amounts falling due within one year

	1996 £	1995 £
Trade creditors	1,133,055	1,177,039
Amount owed to group undertaking	21,826	-
Bank loan and overdraft	372,784	-
Other creditors including taxation and social security:		
Corporation tax	43,359	21,570
Other taxes and social security	215,900	168,071
Other creditors	267,422	223,673
Accruals	44,828	56,244
Dividend proposed	32,000	24,000
	<u>2,131,174</u>	<u>1,670,597</u>

Burrows & Smith Limited

Notes (continued)

11 Creditors: amounts falling due within one year (continued)

The company has an agreement with its bankers whereby any monies standing to the credit of its bank account may be applied in repayment of any indebtedness to the bank by two other associated companies in which Mr D C Burrows has a material interest. At 29 February 1996 the combined bank overdraft of the two associated companies was £Nil (1995 : £Nil). The bank holds a debenture over the company's assets and undertakings as security against amounts owing from time to time.

12 Provisions for liabilities and charges

Deferred taxation

	£
At beginning of year	71,335
Charge for the year in the profit and loss account	8,000
Advance corporation tax	(2,000)
	<hr/>
At end of year	77,335
	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1996		1995	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	80,000	21,000	72,000	21,000
Advance corporation tax recoverable	(8,000)	-	(6,000)	-
Capital gains held over	5,335	30,000	5,335	30,000
Potential capital gains on revalued properties	-	50,000	-	50,000
	<hr/>	<hr/>	<hr/>	<hr/>
	77,335	101,000	71,335	101,000
	<hr/>	<hr/>	<hr/>	<hr/>

Burrows & Smith Limited

Notes (continued)

13 Called up share capital

	1996 £	1995 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000	100,000
Non cumulative preference shares of £1 each	10,000	10,000
	<u>110,000</u>	<u>110,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100,000	100,000
Non cumulative preference shares of £1 each	6,376	6,376
	<u>106,376</u>	<u>106,376</u>

The non cumulative preference shareholders have no voting rights. They have waived their rights to a dividend.

In the event of a winding up, the holders of these shares are entitled to repayment of the capital paid up thereon in priority to all other shares but to no further right of participation either in profit or assets.

14 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	725,661	1,958,696
Transfer	(7,516)	7,516
Retained profit for year	-	79,170
	<u>718,145</u>	<u>2,045,382</u>
At end of year		

15 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
Retained profit for the year	79,170	30,391
Opening shareholders' funds	2,790,733	2,760,342
	<u>2,869,903</u>	<u>2,790,733</u>
Closing shareholders' funds		

Burrows & Smith Limited

Notes (continued)

16 Commitments

There were contracted capital commitments at 29 February 1996 of £49,150 (1995 : £Nil).

17 Reconciliation of operating profit to net cash inflow from operating activities

	1996 £	1995 £
Operating profit	121,766	20,305
Depreciation charge	280,177	235,651
(Profit)/loss on sale of tangible fixed assets	(29,478)	4,811
Increase in stocks	(258,162)	(349,648)
Increase in debtors	(321,593)	(441,283)
Increase in creditors	57,805	798,150
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	<u>(149,485)</u>	<u>267,986</u>

18 Analysis of changes in cash and cash equivalents during the year

	1996 £	1995 £
Balance at start of year	206,202	276,113
Net cash outflow	<u>(578,303)</u>	<u>(69,911)</u>
	<u>372,101</u>	<u>206,202</u>

Burrows & Smith Limited

Notes *(continued)*

19 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1996 £	1995 £	Change £
Cash in hand	683	765	(82)
Bank balances	<u>(372,784)</u>	<u>205,437</u>	<u>(578,221)</u>
	<u>(372,101)</u>	<u>206,202</u>	<u>(578,303)</u>