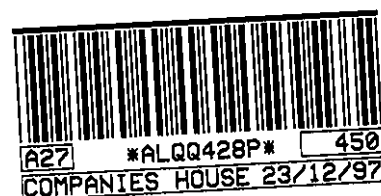


Burrows & Smith Limited

Directors' report and abbreviated financial statements

28 February 1997

Registered number 366790



Burrows & Smith Limited

Directors' report and abbreviated financial statements

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Burrows & Smith Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 28 February 1997.

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	148,513
Taxation charge	(52,385)
	<hr/>
Profit for the financial year	96,128
Proposed dividend	(32,000)
	<hr/>
Retained profit for the year	<u>64,128</u>

Turnover fell by 3% but margins were stable. Capital investment of over £250,000 was made to improve productivity and changes to site layout are planned to improve efficiencies.

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.

Burrows & Smith Limited

Directors' report (*continued*)

Directors and directors' interests

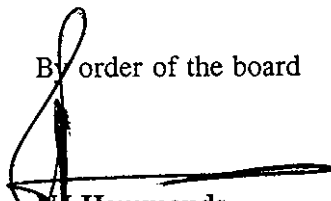
The directors during the year together with their interests in the shares of the company were as follows:

	Ordinary shares of £1 1997 and 1996
DC Burrows	30,000
GN Burrows	14,050
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

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 Burrows & Smith Limited
pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on pages 5 to 17 together with the financial statements of Burrows & Smith Limited prepared under section 226 of the Companies Act 1985 for the year ended 28 February 1997.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of 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 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 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 to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Companies Act 1985 and the abbreviated accounts have been properly prepared in accordance with those provisions.


Chartered Accountants
Registered Auditors

15 August 1997.

Burrows & Smith Limited

Profit and loss account for the year ended 28 February 1997

	<i>Note</i>	1997 £	1996 £
Gross profit		2,654,909	2,813,228
Sales and distribution costs		(81,454)	(88,559)
Administrative expenses		(2,457,401)	(2,602,903)
Operating profit		116,054	121,766
Rental and investment income		37,232	36,980
Interest receivable and similar income		3,324	4,890
Interest payable		(8,097)	(5,163)
Profit on ordinary activities before taxation	2	148,513	158,473
Tax charge on profit on ordinary activities	5	(52,385)	(47,303)
Profit for the financial year		96,128	111,170
Dividends proposed	6	(32,000)	(32,000)
Retained profit for the financial year	14	64,128	79,170

The company had no recognised gains or losses other than the profit for the year, which relates wholly to the company's continuing operations.

The profit on ordinary activities calculated on a historical cost basis is £155,841 (1996 : £165,989) and the retained profit for the year is £71,456 (1996 : £86,686).

Burrows & Smith Limited

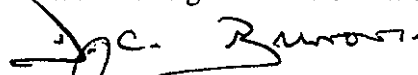
Balance sheet
at 28 February 1997


	Note	1997	1996
		£	£
Fixed assets			
Tangible assets	7	1,874,325	1,845,989
Investments	8	2,000	2,000
		<u>1,876,325</u>	<u>1,847,989</u>
Current assets			
Stocks	9	1,085,935	1,255,736
Debtors	10	2,021,618	1,974,004
Cash at bank and in hand		1,097	683
		<u>3,108,650</u>	<u>3,230,423</u>
Creditors: amounts falling due within one year	11	<u>(1,973,609)</u>	<u>(2,131,174)</u>
Net current assets		<u>1,135,041</u>	<u>1,099,249</u>
Total assets less current liabilities		<u>3,011,366</u>	<u>2,947,238</u>
Provisions for liabilities and charges	12	<u>(77,335)</u>	<u>(77,335)</u>
Net assets		<u>2,934,031</u>	<u>2,869,903</u>
Capital and reserves			
Called up share capital (non-equity interests are included)	13	106,376	106,376
Profit and loss account	14	2,116,838	2,045,382
Revaluation reserve	14	710,817	718,145
		<u>2,934,031</u>	<u>2,869,903</u>
Shareholders' funds	15	<u>2,934,031</u>	<u>2,869,903</u>

The accounts are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

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

10 April 1997


D.C. Burrows
Director


N.J. Hammonds
Director

Burrows & Smith Limited

Cash flow statement for the year ended 28 February 1997

	Note	1997	1996
		£	£
Net cash inflow/(outflow) from operating activities	17	545,000	(149,485)
Return on investments and servicing of finance			
Interest received		3,324	4,890
Interest paid		(8,097)	(5,163)
Dividends paid		(32,000)	(24,000)
Rental and investment income		37,232	36,980
		<u> </u>	<u> </u>
Net cash inflow from returns on investment and servicing of finance		459	12,707
Taxation			
UK corporation tax paid		(44,571)	(19,316)
Investing activities			
Purchase of tangible fixed assets		(347,849)	(461,159)
Sale of tangible fixed assets		43,427	38,950
		<u> </u>	<u> </u>
Net cash outflow from investing activities		(304,422)	(422,209)
Increase/(decrease) in cash and cash equivalents	18	<u>196,466</u>	<u>(578,303)</u>

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

	1997	1996
	£	£
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	6,489	6,555
Other services	-	5,445
Profit on sale of fixed assets	(15,408)	(29,478)

3 Remuneration of directors

	1997	1996
	£	£
Directors' emoluments:		
Remuneration	142,649	153,127
Pension contributions	21,082	20,939
	<u>163,731</u>	<u>174,066</u>

The emoluments, excluding pension contributions, of the chairman and highest paid director were £53,780 (1996 : £58,878).

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

		Number of directors	
		1997	1996
£40,001 - £45,000		1	-
£45,001 - £50,000		1	-
£50,001 - £55,000		1	2
£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:

	1997	1996
Productive and technical	146	160
Administrative and managerial	8	8
	<u>154</u>	<u>168</u>

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	2,324,381	2,653,637
Social security costs	225,521	262,478
Other pension costs	40,116	40,964
	<u>2,590,018</u>	<u>2,957,079</u>

5 Taxation

	1997 £	1996 £
UK corporation tax charge on the profit for the year on ordinary activities	51,173	39,300
Deferred taxation charge	-	8,000
Tax attributable to franked investment income	800	200
Adjustments in respect of prior years	412	(197)
	<u>52,385</u>	<u>47,303</u>

6 Dividends

	1997 £	1996 £
Ordinary shares		
Final proposed	<u>32,000</u>	<u>32,000</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	4,006,023	291,626	145,555	5,289,290
Additions	-	261,009	29,281	57,559	347,849
Disposals	-	(215,807)	-	(66,028)	(281,835)
At end of year	846,086	4,051,225	320,907	137,086	5,355,304
<i>Depreciation and diminution in value</i>					
At beginning of year	42,441	3,072,282	247,741	80,837	3,443,301
Charge for year	9,715	238,485	18,292	25,002	291,494
On disposals	-	(210,071)	-	(43,745)	(253,816)
At end of year	52,156	3,100,696	266,033	62,094	3,480,979
<i>Net book value</i>					
At 28 February 1997	793,930	950,529	54,874	74,992	1,874,325
At 29 February 1996	803,645	933,741	43,885	64,718	1,845,989

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

Particulars relating to revalued assets are given below:

	1997 £	1996 £
Historical cost of revalued assets	165,581	165,581
Aggregate depreciation based on historical cost	(82,468)	(80,081)
Historical cost net book value	83,113	85,500

The gross amount of depreciable fixed assets included in land and buildings is £421,086 (1996 : £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

	1997 £	1996 £
Raw materials and consumables	96,483	67,477
Work in progress	989,452	1,188,259
	<u>1,085,935</u>	<u>1,255,736</u>

10 Debtors

	1997 £	1996 £
Trade debtors	1,921,502	1,926,077
Other debtors	37,188	33,326
Prepayments	62,928	14,601
	<u>2,021,618</u>	<u>1,974,004</u>

Other debtors include £6,376 (1996 : £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

	1997 £	1996 £
Trade creditors	1,243,452	1,133,055
Bank overdraft	176,732	372,784
Other creditors including taxation and social security:		
Corporation tax	51,173	43,359
Other taxes and social security	169,665	215,900
Other creditors	242,058	289,248
Accruals	58,529	44,828
Dividend proposed	32,000	32,000
	<u>1,973,609</u>	<u>2,131,174</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 28 February 1997 the combined bank overdraft of the two associated companies was £Nil (1996 : £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	77,335
Charge for the year in the profit and loss account	-
Advance corporation tax	-
	<hr/>
At end of year	77,335
	<hr/>

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

	1997		1996	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and amortisation and capital allowances	80,000	21,000	80,000	21,000
Advance corporation tax recoverable	(8,000)	-	(8,000)	-
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	77,335	101,000
	<hr/>	<hr/>	<hr/>	<hr/>

Burrows & Smith Limited

Notes (continued)

13 Called up share capital

	1997 £	1996 £
<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	718,145	2,045,382
Transfer	(7,328)	7,328
Retained profit for year	-	64,128
	<u>710,817</u>	<u>2,116,838</u>
At end of year		

15 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Retained profit for the year	64,128	79,170
Opening shareholders' funds	2,869,903	2,790,733
	<u>2,934,031</u>	<u>2,869,903</u>
Closing shareholders' funds		

Burrows & Smith Limited

Notes (continued)

16 Commitments

There were no contracted capital commitments at 28 February 1997 (1996 : £49,150).

17 Reconciliation of operating profit to net cash inflow/(outflow) from operating activities

	1997 £	1996 £
Operating profit	116,054	121,766
Depreciation charge	291,494	280,177
Profit on sale of tangible fixed assets	(15,408)	(29,478)
Decrease/(increase) in stocks	169,801	(258,162)
Increase in debtors	(47,614)	(321,593)
Increase in creditors	30,673	57,805
Net cash inflow/(outflow) from operating activities	<u>545,000</u>	<u>(149,485)</u>

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

	1997 £	1996 £
Balance at start of year	(372,101)	206,202
Net cash inflow/(outflow)	<u>196,466</u>	<u>(578,303)</u>
	<u>(175,635)</u>	<u>(372,101)</u>

Burrows & Smith Limited

Notes (continued)

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

	1997 £	1996 £	Change £
Cash in hand	1,097	683	414
Bank balances	(176,732)	(372,784)	196,052
	<u>(175,635)</u>	<u>(372,101)</u>	<u>196,466</u>

20 Related party transaction

Within other creditors falling due within one year is an amount of £98,976 owed to British Man Made Staple Fibres Limited (BMM), a company controlled by DC Burrows, Chairman and shareholder of Burrows & Smith Limited.

The following transactions have occurred during the year:

Interest

All interest income and expense for the two companies is received and paid by BMM. The portion that relates to Burrows & Smith Limited is transferred on a monthly basis and is disclosed in the profit and loss account.

Bank charges

Bank charges paid to BMM for year ended 28 February 1997 £ 3,463

Rent

BMM owns part of the premises on which Burrows & Smith Limited operates its business.

Gross rent charged for the year ended 28 February 1997 £66,167
Insurance on business premises charged to Burrows & Smith
Limited from BMM £ 2,307

Burrows & Smith Limited

Notes (continued)

21 Related parties (continued)

Personnel

Certain clerical and administration staff, employed by Burrows & Smith Limited, carry out work for BMM.

Amount charged at cost to BMM for clerical and administrative support for the year ended 28 February 1997	£(5,722)
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Sundry

Sundry items incurred by Burrows & Smith Limited and recharged to BMM	£(6,052)
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All transactions are treated on an arms length basis, on ordinary commercial terms.