

LIVE STEAM MODELS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 1998



GREGORY PRIESTLEY AND STEWART

CHARTERED ACCOUNTANTS

'LYNDHURST'

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LIVE STEAM MODELS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 1998

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For information of the Directors only:

Accountants' report

Detailed trading and profit and loss account

Schedule of overhead expenses

Company registration number : 765708 (England and Wales)

LIVE STEAM MODELS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED

30TH JUNE 1998

PRINCIPAL ACTIVITIES

The principal activities of the company were that of supplying drawings, costings and accessories for Steam Models and the provision of machining and assembly services.

DIRECTORS' INTERESTS

The directors who have served during the year and their interests in the shares of the company, both at the beginning and end of the year were as follows:

Beneficial holding:

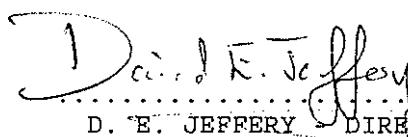
D. E. Jeffery	275
A. D. Jeffery	450
R. E. Jeffery	275

CLOSE COMPANY

The company is a close company within the meaning of the Income and Corporation Taxes Act 1988.

The report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD


.....
D. E. JEFFERY DIRECTOR

28th August 1998

LIVE STEAM MODELS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED

30TH JUNE 1998

	<u>NOTE</u>	<u>1998</u> <u>£</u>	<u>1997</u> <u>£</u>
TURNOVER	2	102747	111542
Cost of sales		53000	64994
GROSS PROFIT		<u>49747</u>	<u>46548</u>
Net operating expenses		51583	49069
OPERATING (LOSS)	3	<u>(1836)</u>	<u>(2521)</u>
Interest payable and similar charges		6045	2122
(Loss) on ordinary activities after interest		<u>(7881)</u>	<u>(4643)</u>
Development expenditure		6576	4096
(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(14457)</u>	<u>(8739)</u>
Tax on profit on ordinary activities	4	-	-
(LOSS) FOR THE FINANCIAL YEAR		<u>(14457)</u>	<u>(8739)</u>
RETAINED LOSSES BROUGHT FORWARD		(18286)	(9547)
RETAINED LOSSES CARRIED FORWARD		<u>(32743)</u> =====	<u>(18286)</u> =====

The annexed notes form part of these financial statements.

LIVE STEAM MODELS LIMITED
BALANCE SHEET - 30TH JUNE 1998

	NOTE	1998	1997
		£	£
FIXED ASSETS			
Intangible assets	5	65231	65231
Tangible assets	6	30390	37680
		<u>95621</u>	<u>102911</u>
CURRENT ASSETS			
Stocks	7	74287	18400
Debtors	8	4210	10334
		<u>78497</u>	<u>28734</u>
CREDITORS			
Amounts falling due within one year	9	205861	148931
		<u> </u>	<u> </u>
NET CURRENT (LIABILITIES)		(127364)	(120197)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(31743)</u>	<u>(17286)</u>
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	11	1000	1000
Profit and loss account		(32743)	(18286)
SHAREHOLDERS' FUNDS	12	<u>(31743)</u>	<u>(17286)</u>
		=====	=====

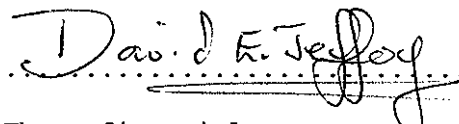
The directors are satisfied that the company was entitled to exemption under subsection (1) of section 249A of the Companies Act 1985 and that no member or members have requested an audit pursuant to subsection (2) of section 249B.

The directors acknowledge their responsibilities for:

- i) ensuring that the company keeps accounting records which comply with section 221; and
- ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

ON BEHALF OF THE BOARD

 D E JEFFERY - DIRECTOR

These financial statements were approved by the Board on 28th August 1998.

The annexed notes form part of these financial statements.

LIVE STEAM MODELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998

1. ACCOUNTING POLICIES

a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and have been prepared on a going concern basis. This basis may not be appropriate because at 30th June 1998 the company had net liabilities of £31743 and incurred a loss for the year of £14457. The company is dependent on the continued financial support of its directors to enable it to continue trading. The directors have pledged not to withdraw funds due to them until the company is in a position to repay them without there being a detrimental effect on the company. Should this support be withdrawn the company may be unable to continue trading and adjustments would have to be made to reduce the value of the assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify fixed assets and long term liabilities as current assets and current liabilities.

The effect of events relating to the year ended 30th June 1998 before the date of approval of the financial statements by the Board of Directors, have been included in the statements to the extent required to show a true and fair view of the state of affairs at 30th June 1998 and of the results for the year ended on that date.

b) Depreciation

Depreciation has been computed to write off the cost of tangible fixed assets over their expected useful lives using the following rates:

Plant and machinery	15% per annum of cost
Fixtures and fittings	15% per annum of cost
Motor vehicles	25% per annum of cost

c) Stocks and work in progress

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

d) Deferred taxation

Deferred taxation is provided on the liability method to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is considered that a net liability may crystallise.

LIVE STEAM MODELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998 (CONTINUED)

e) Research and development

Expenditure on development is written off against profits in the year in which it is incurred.

f) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of transaction.

Balances at the year end denominated in a foreign currency are translated into sterling at the rate of exchange ruling at the balance sheet date.

g) Goodwill

Contrary to Statement of Standard Accounting Practice Number 22, no amortisation of goodwill is included in the accounts.

h) Pension costs

The company operates pension schemes for the benefit of certain of its employees. The funds of the schemes are administered by Trustees and are separate from the company. Independent actuaries complete valuations at least every three years and, in accordance with their recommendations annual contributions are paid to the schemes so as to secure the benefits set out in the rules and the periodic augmentation of current pensions. The cost of these and any variations from regular cost arising from actuarial valuations are charged or credited to profits on a systematic basis over the remaining service life of the employees.

2. TURNOVER

The company's turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year. 25.32% of the company's turnover related to exports (1997 10.82%).

3. OPERATING (LOSS)

Operating loss is stated after charging:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Directors' emoluments	765	400
Depreciation of owned assets	8750	8628
	=====	=====

4. TAXATION

No corporation tax is payable for the year (1997 - nil) and no provision has been made for deferred tax (1997 - nil).

LIVE STEAM MODELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998 (CONTINUED)

5. INTANGIBLE FIXED ASSETS

	<u>Goodwill</u> £
Cost:	
At 30th June 1997	65231
	=====
Amortisation:	
Charge for the year	-
	=====
Net book value:	
At 30th June 1998	65231
	=====
At 30th June 1997	65231
	=====

6. TANGIBLE FIXED ASSETS

	<u>Motor vehicle</u> £	<u>Fixtures and fittings</u> £	<u>Plant and equipment</u> £	<u>Total</u> £
Cost:				
At 30th June 1997	4000	13470	37388	54858
Additions	-	1460	-	1460
At 30th June 1998	4000	14930	37388	56318
	-----	-----	-----	-----
Depreciation:				
At 30th June 1997	2000	4025	11153	17178
Charge for the year	1000	2142	5608	8750
At 30th June 1998	3000	6167	16761	25928
	-----	-----	-----	-----
Net book value:				
At 30th June 1998	1000	8763	20627	30390
	=====	=====	=====	=====
At 30th June 1997	2000	9445	26235	37680
	=====	=====	=====	=====

7. STOCKS AND WORK IN PROGRESS

	<u>1998</u> £	<u>1997</u> £
Stocks	68025	17400
Work in progress	6262	1000
	74287	18400
	=====	=====

LIVE STEAM MODELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998 (CONTINUED)

8. DEBTORS ALL RECEIVABLE WITHIN ONE YEAR

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Trade debtors	792	7207
Other debtors	3418	3127
	<u>4210</u>	<u>10334</u>
	=====	=====

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts	13279	12230
Trade creditors	32335	21786
Directors' loan accounts	81204	87167
Other creditors	78565	24688
Corporation tax	-	-
Other tax and social security	478	3060
	<u>205861</u>	<u>148931</u>
	=====	=====

The bank overdraft is secured.

10. PROVISIONS FOR LIABILITIES AND CHARGES

The potential liability for deferred taxation is as follows:

	<u>1998</u>		<u>1997</u>
	<u>Provided</u>	<u>Potential</u>	<u>Provided</u>
	<u>£</u>	<u>£</u>	<u>£</u>
The accumulated excess of capital allowances over corresponding depreciation	-	3018	-
Accrued interest payable less receivable	-	(120)	-
	<u>-</u>	<u>2898</u>	<u>-</u>
	-	-	4044
Less Unrelieved losses available to carry forward against future trading profits	-	(2898)	-
	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====
	-	-	596
	=====	=====	=====

LIVE STEAM MODELS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 1998 (CONTINUED)

11. SHARE CAPITAL

The authorised share capital consists of:-

	<u>Authorised</u> <u>£</u>
2000 ordinary shares of £1 each	2000 =====

The allotted and fully paid share capital of the company consisted of:-

	<u>Allotted, called</u> <u>up and fully paid</u> <u>£</u>
1000 ordinary shares of £1 each	1000 =====

There have been no changes during the year.

12. RELATED PARTY TRANSACTIONS

The company occupies freehold property owned by Live Steam Models Limited Special Retirement Benefits Scheme. The directors of the company are also trustees of this scheme. Rent is charged at a commercial rate. The charge for the year was £6500 (1997 £6229).

At 30th June 1998 the company owed the scheme the following amounts:-

	<u>£</u>
Loan	44295
Loan interest	5054
Rent	26961
	<u>76310</u> =====

13. PENSION COSTS

The company operates a contributory pension scheme. It is a defined contribution scheme and contributions are charged in the profit and loss account as they accrue. The charge for the year was £Nil (1997 £Nil).

14. CONTROL RELATIONSHIPS

The company was controlled throughout the current and previous period by its directors, Mr and Mrs D E Jeffery and Mr A D Jeffery by virtue of the fact that between them they own all of the company's ordinary share capital.