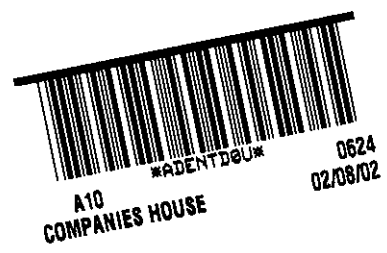


Registration Number 765708

LIVE STEAM MODELS LIMITED

Directors' Report and Financial Statements

for the year ended 30 June 2002



LIVE STEAM MODELS LIMITED

Company Information

Directors	D E Jeffery A D Jeffery R E Jeffery
Secretary	D E Jeffery
Company Number	765708
Registered Office	7 Old Hall Mills Little Eaton Derby DE21 5DN
Accountants	Gregory Priestley and Stewart Lyndhurst 1 Cranmer Street Long Eaton Nottingham NG10 1NJ
Business Address	Unit 7 Old Hall Mills Little Eaton Derby DE21 5DN

LIVE STEAM MODELS LIMITED

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LIVE STEAM MODELS LIMITED

Directors' Report for the year ended 30 June 2002

The directors present their report and the financial statements for the year ended 30 June 2002.

Principal Activity

The principal activity of the company continued to be that of supplying drawings, costings and accessories for Steam Models and the provision of machining and assembly services.

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2002	2001
D E Jeffery	275	275
A D Jeffery	450	450
R E Jeffery	275	275

Directors' Responsibilities

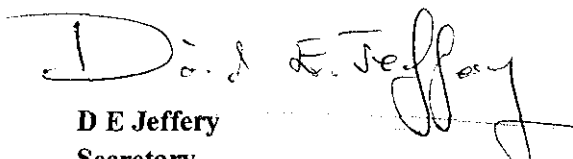
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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 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.

This report is prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

This report was approved by the Board on 16 July 2002 and signed on its behalf by


D E Jeffery
Secretary

LIVE STEAM MODELS LIMITED

**Accountants' Report to the Shareholders on the Unaudited Financial Statements
of LIVE STEAM MODELS LIMITED**

We report on the financial statements for the year ended 30 June 2002 set out on pages 3 to 10.

Respective responsibilities of directors and accountants

As described on page 5 the company's directors are responsible for the preparation of financial statements, and they consider that the company is exempt from an audit. It is our responsibility to ensure that the financial statements are in accordance with the company's books and records.

Basis of opinion

Our procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purposes of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

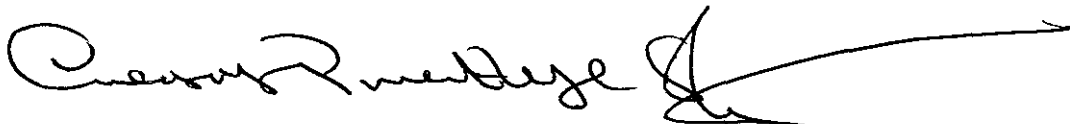
In our opinion:

(a) the financial statements are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985;

(b) having regard only to, and on the basis of, the information contained in those accounting records:

(i) the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act; and

(ii) the company satisfied the conditions for exemption from an audit of the financial statements for the year specified in Section 249A(4) of the Act and did not, at any time within that , fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1)



Gregory Priestley and Stewart
Chartered Accountants

Lyndhurst
1 Cranmer Street
Long Eaton
Nottingham
NG10 1NJ

16 July 2002

LIVE STEAM MODELS LIMITED

Profit and Loss Account for the year ended 30 June 2002

		2002	2001
	Notes	£	£
Turnover	2	172,842	135,332
Cost of sales		(90,853)	(81,185)
Gross profit		<u>81,989</u>	<u>54,147</u>
Distribution costs		(14,155)	(13,988)
Administrative expenses		10,939	(45,158)
Other operating income		-	350
Operating profit/(loss)	3	<u>78,773</u>	<u>(4,649)</u>
Interest payable and similar charges	4	(4,247)	(4,877)
Profit/(loss) on ordinary activities before taxation		74,526	(9,526)
Tax on profit/(loss) on ordinary activities	6	(79)	-
Retained profit/(loss) for the year		<u>74,447</u>	<u>(9,526)</u>
Accumulated (loss) brought forward		(42,252)	(32,726)
Retained profit/(loss) carried forward		<u><u>32,195</u></u>	<u><u>(42,252)</u></u>

The notes on pages 6 to 10 form an integral part of these financial statements.

LIVE STEAM MODELS LIMITED

Balance Sheet as at 30 June 2002

		2002		2001	
	Notes	£	£	£	£
Fixed Assets					
Intangible assets	7		66,231		66,231
Tangible assets	8		3,226		11,078
			<u>69,457</u>		<u>77,309</u>
Current Assets					
Stocks		91,286		87,412	
Debtors	9	8,487		6,665	
Cash at bank and in hand		545		-	
		<u>100,318</u>		<u>94,077</u>	
Creditors: amounts falling due within one year	10	<u>(136,580)</u>		<u>(212,638)</u>	
Net Current Liabilities			<u>(36,262)</u>		<u>(118,561)</u>
Total Assets Less Current Liabilities			<u>33,195</u>		<u>(41,252)</u>
Capital and Reserves					
Called up share capital	11		1,000		1,000
Profit and loss account			32,195		(42,252)
Shareholders' Funds			<u>33,195</u>		<u>(41,252)</u>

The directors' statements required by Section 249B(4) are shown on the following page which forms part of this Balance Sheet.

The notes on pages 6 to 10 form an integral part of these financial statements.

LIVE STEAM MODELS LIMITED

Balance Sheet (continued)

**Directors' statements required by Section 249B(4)
for the year ended 30 June 2002**

In approving these financial statements as directors of the company we hereby confirm:

(a) that for the year stated above the company was entitled to the exemption conferred by Section 249A(2) of the Companies Act 1985;

(b) that no notice has been deposited at the registered office of the company pursuant to Section 249B(2) requesting that an audit be conducted for the year ended 30 June 2002 and

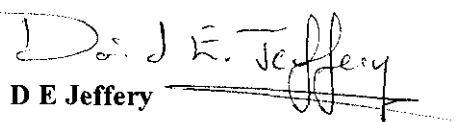
(c) that we acknowledge our responsibilities for:

(1) ensuring that the company keeps accounting records which comply with Section 221, and

(2) preparing financial statements 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 year then ended in accordance with the requirements of Section 226 and which otherwise comply with the provisions of the Companies Act relating to financial statements, so far as applicable to the company.

These financial statements are 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 (effective March 2000).

The financial statements were approved by the Board on 16 July 2002 and signed on its behalf by


D E Jeffery
Director

The notes on pages 6 to 10 form an integral part of these financial statements.

LIVE STEAM MODELS LIMITED

Notes to the Financial Statements for the year ended 30 June 2002

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Goodwill

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Plant and machinery	-	15% Straight Line
Fixtures, fittings and equipment	-	15% Straight Line

Contrary to Financial Reporting Standard Number 10, no amortisation of goodwill is included in the accounts.

1.5. Stock and work in progress

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

1.6. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

2. Turnover

Turnover attributable to geographical markets outside the United Kingdom amounted to 19% for the year.

LIVE STEAM MODELS LIMITED

Notes to the Financial Statements for the year ended 30 June 2002

..... continued

3. Operating profit/(loss)	2002	2001
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation and other amounts written off tangible assets	8,868	8,789
Exceptional items	(57,482)	-
	<u> </u>	<u> </u>
4. Interest payable and similar charges	2002	2001
	£	£
On loans and overdrafts	4,247	4,877
	<u> </u>	<u> </u>
5. Directors' emoluments	2002	2001
	£	£
Remuneration and other benefits	953	1,160
	<u> </u>	<u> </u>
6. Taxation	2002	2001
	£	£
UK current year taxation		
UK Corporation Tax	79	-
	<u> </u>	<u> </u>
7. Intangible fixed assets	Goodwill	Total
	£	£
At 1 July 2001		
At 30 June 2002	66,231	66,231
	<u> </u>	<u> </u>
Net book values		
At 30 June 2002	66,231	66,231
	<u> </u>	<u> </u>
At 30 June 2001	66,231	66,231
	<u> </u>	<u> </u>

LIVE STEAM MODELS LIMITED

Notes to the Financial Statements for the year ended 30 June 2002

..... continued

8. Tangible fixed assets

	Plant and machinery	Fixtures, fittings equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 July 2001	42,728	15,873	4,000	62,601
Additions	-	1,016	-	1,016
At 30 June 2002	42,728	16,889	4,000	63,617
Depreciation				
At 1 July 2001	34,387	13,136	4,000	51,523
Charge for the year	6,409	2,459	-	8,868
At 30 June 2002	40,796	15,595	4,000	60,391
Net book values				
At 30 June 2002	1,932	1,294	-	3,226
At 30 June 2001	8,341	2,737	-	11,078

9. Debtors

	2002 £	2001 £
Trade debtors	2,911	2,931
Other debtors	1,293	-
Prepayments and accrued income	4,283	3,734
	8,487	6,665

LIVE STEAM MODELS LIMITED

Notes to the Financial Statements for the year ended 30 June 2002

..... continued

10. Creditors: amounts falling due within one year	2002 £	2001 £
Bank overdraft	-	16,151
Pension fund loan	35,000	35,000
Other loan	-	49,844
Trade creditors	22,408	23,654
Corporation tax	79	-
Other taxes and social security costs	3,883	1,477
Directors' accounts	51,285	66,688
Other creditors	19,371	15,991
Accruals and deferred income	4,554	3,833
	<u>136,580</u>	<u>212,638</u>

11. Share capital	2002 £	2001 £
Authorised		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

12. Transactions with directors

The following directors had interest free loans during the year. The movements on these loans are as follows:

	Amount Owing		Maximum
	2002	2001	in year
	£	£	£
D E Jeffery	<u>1,293</u>	<u>-</u>	<u>1,293</u>

LIVE STEAM MODELS LIMITED

Notes to the Financial Statements for the year ended 30 June 2002

..... continued

13. 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 £6,500. At the year end the company owed the pension scheme £ nil (2000 - £49,844) in rents. During the year a amount of £57,482 owing to the pension scheme was written off.

14. Controlling interest

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