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HOTCHKISS PATENTS AND INVESTMENTS LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

31ST OCTOBER 1978

KIDSONS
Chartered Accountants

Directors:

L. D. Thompson
W. G. Thompson
B. J. Thompson
E. C. Ayling

DIRECTORS' REPORT

The directors submit their annual report and the audited accounts of the company for the year ended 31st October 1978.

TRADING RESULTS

The trading results are shown in the profit and loss account on page 4. The directors do not recommend payment of a dividend.

PRINCIPAL ACTIVITIES

The principal activities of the company and its subsidiary continued to be the operation of amusement devices.

EXPORTS

The company's exports from the United Kingdom were Nil.

DIRECTORS

The following were directors for the whole of the period:-

L. D. Thompson
W. G. Thompson
B. J. Thompson
R. M. Wilcock

The director retiring at the annual general meeting is Mrs. B. J. Thompson who, being eligible, offers herself for re-election.

Mr. E. C. Ayling was appointed a director during the year and accordingly resigns and offers himself for re-election.

Mr. R. M. Wilcock retired as a director on 31st January 1979.

DIRECTORS' SHAREHOLDING

The interests of the directors in the company's share capital are set out below:-

<u>Director</u>	<u>Ordinary Shares of £1 each</u>	
	<u>1978</u>	<u>1977</u>
L. D. Thompson	2,134	2,134
W. G. Thompson	1,500	1,500
B. J. Thompson	Nil	Nil
R. M. Wilcock	Nil	Nil

DIRECTORS' REPORT (Continued)

DIRECTORS' SHAREHOLDING Continued

In addition Mr. W. G. Thompson had a non-beneficial interest as trustee in a further 1,366 at 31st October 1978 (1977 - 1,366).

None of the directors have any beneficial interest in the share capital of any other company in the group.

FIXED ASSETS

Changes in fixed assets during the year are set out in note 6 to the accounts.

AUDITORS

The auditors, Messrs. Kidsons, Chartered Accountants, have intimated their willingness to continue in office, subject to the approval of the members in general meeting.

By Order of the Board

C. WREN-HILTON

Secretary

Registered Office:
69 Aldwych,
London, WC2B 4DY.

20th February, 1979.

REPORT OF THE AUDITORS TO THE MEMBERS

In our opinion, the accounts set out on pages 4 to 14, which have been prepared under the historical cost convention, give a true and fair view of the state of the group and of the company at 31st October 1978, and of its results and source and application of funds for the year ended on that date and comply with the Companies Acts 1948 and 1967.

KIDSONS

Chartered Accountants

20th February, 1979.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 1978

	(Note)	<u>1978</u>	<u>1977</u>
		£	£
TURNOVER	(1)	<u>210,717</u>	<u>154,107</u>
(LOSS) PROFIT BEFORE TAXATION	(2)	(35,414)	733
TAXATION	(3)	<u>(13,000)</u>	<u>17,791</u>
LOSS AFTER TAXATION		(22,414)	(17,058)
EXTRAORDINARY ITEMS	(5)	<u>3,500</u>	<u>87,434</u>
		(18,914)	70,376
Bonus issue of 5,824 10p 'A' ordinary shares		-	582
(LOSS) PROFIT RETAINED	(11)	<u>(18,914)</u>	<u>69,794</u>

PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31ST OCTOBER 1978

	(Note)	<u>1978</u>	<u>1977</u>
		£	£
TURNOVER	(1)	23,376	34,476
		=====	=====
LOSS BEFORE TAXATION	(2)	(11,486)	(4,860)
TAXATION	(3)	1,300	4,986
		-----	-----
LOSS AFTER TAXATION		(12,786)	(9,846)
EXTRAORDINARY ITEMS	(5)	-	65,765
		-----	-----
(LOSS) PROFIT RETAINED	(11)	(12,786)	75,919
		=====	=====

CONSOLIDATED BALANCE SHEET - 31ST OCTOBER 1978

		<u>1978</u>		<u>1977</u>	
	(Note)	£	£	£	£
<u>EMPLOYMENT OF FUNDS</u>					
FIXED ASSETS	(6)		287,031		173,944
GOODWILL ON CONSOLIDATION			78,489		78,489
ASSOCIATED COMPANY	(7)		50		-
DEPOSIT	(9)		9,000		9,000
<u>CURRENT ASSETS</u>					
Unquoted Investments			1		1
Stock	(1)		960		-
Debtors			52,324		76,834
Taxation Recoverable			710		710
Tax Reserve Certificates			180		180
Cash and Bank			630		12,892
			<u>54,805</u>		<u>90,617</u>
<u>CURRENT LIABILITIES</u>					
Creditors			11,527		147,299
Bank Overdraft			251,794		5,783
Proposed Dividend			-		1,000
			<u>263,321</u>		<u>154,082</u>
NET CURRENT LIABILITIES			<u>(208,516)</u>		<u>(63,465)</u>
			<u>166,054</u>		<u>197,968</u>
<u>FUNDS EMPLOYED</u>					
SHARE CAPITAL	(10)		5,000		5,000
RESERVES	(11)		89,454		108,368
SHAREHOLDERS' FUNDS			<u>94,454</u>		<u>113,368</u>
LOAN CAPITAL	(12)		50,000		50,000
DEFERRED TAXATION	(13)		21,600		34,600
			<u>166,054</u>		<u>197,968</u>

L. D. THOMPSON

W. G. THOMPSON

Directors



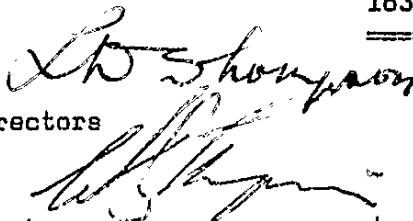
BALANCE SHEET - 31ST OCTOBER 1978

		<u>1978</u>		<u>1977</u>	
	(Note)	£	£	£	£
<u>EMPLOYMENT OF FUNDS</u>					
FIXED ASSETS	(6)		27,613		29,258
SUBSIDIARY COMPANY					
Shares at cost	(8)	122,304		122,304	
Current Account		<u>12,553</u>		<u>7,400</u>	
			134,857		129,704
DEPOSIT	(9)		9,000		9,000
CURRENT ASSETS					
Debtors		52,324		71,747	
Taxation Recoverable		240		240	
Tax Reserve Certificates		180		180	
Bank		-		12,262	
Dividend Receivable		<u>582</u>		<u>582</u>	
		<u>53,326</u>		<u>85,011</u>	
CURRENT LIABILITIES					
Creditors		5,869		77,380	
Bank Overdraft.		55,820		-	
Proposed Dividend		-		<u>1,000</u>	
		<u>61,689</u>		<u>78,380</u>	
NET CURRENT ASSETS (LIABILITIES)			(8,363)		6,631
			<u>163,107</u>		<u>174,593</u>
<u>FUNDS EMPLOYED</u>					
SHARE CAPITAL	(10)		5,000		5,000
RESERVES	(11)		<u>101,707</u>		<u>114,493</u>
SHAREHOLDERS' FUNDS			106,707		119,493
LOAN CAPITAL	(12)		50,000		50,000
DEFERRED TAXATION	(13)		<u>6,400</u>		<u>5,100</u>
			<u>163,107</u>		<u>174,593</u>

L. D. THOMPSON

W. G. THOMPSON

Directors



CONSOLIDATED SOURCE AND APPLICATION OF FUNDSYEAR ENDED 31ST OCTOBER 1978

	<u>1978</u>	<u>1977</u>
	£	£
FUNDS ARISING FROM TRADE		
(Loss) Profit before Taxation	(35,414)	733
Depreciation	41,260	6,756
Funds retained from Trading	<u>5,846</u>	<u>7,489</u>
FUNDS FROM OTHER SOURCES		
Shares Issued	-	10,000
Loan Capital Issue	-	50,000
Insurance proceeds on amusement devices destroyed by fire	-	71,500
Proceeds of sale of quoted investments	-	33,367
Proceeds of sale of fixed assets	3,500	8,476
	<u>3,500</u>	<u>173,343</u>
APPLICATION OF FUNDS		
Purchase of fixed assets	154,347	166,525
Purchase of Helters Limited	-	122,304
Purchase of investments in associated company	50	-
Minority Dividend	-	873
Minority Share Bonus Issue	-	582
Taxation paid	-	583
Dividend paid	1,000	-
	<u>155,397</u>	<u>290,867</u>
	151,897	117,524
NET (OUTFLOW) OF FUNDS	<u>(146,051)</u>	<u>(110,035)</u>
WORKING CAPITAL MOVEMENTS		
Stock increase	960	-
Creditors decrease (increase)	135,772	(116,415)
Debtors increase (decrease)	<u>(24,510)</u>	75,726
	112,222	(40,689)
Bank Overdraft increase	<u>(258,273)</u>	<u>(69,346)</u>
	<u>(146,051)</u>	<u>(110,035)</u>

NOTES ON ACCOUNTS - 31ST OCTOBER 19781. ACCOUNTING POLICIES

(a) Turnover:

Turnover is defined as takings including value added tax.

(b) Depreciation:

Depreciation is provided on the fixed assets at varying rates in order to write them off over the period of their expected life. The annual rates of depreciation on fixed assets which have not been written down to a nominal value are 15% and 25%.

(c) Stock:

Stock is valued at the lower of cost and net realisable value.

(d) Taxation:

Taxation is based on the results for the year, and is calculated at the rate of 52%. No Corporation tax is payable. The Corporation tax losses for the year have been carried forward to offset against future trading profits.

(e) Deferred Taxation:

Provision is made for taxation at the rate of 52% which is deferred because of differences between depreciation provided in the accounts and the corresponding allowances for taxation purposes, after offsetting Corporation tax losses carried forward.

2. (LOSS) PROFIT BEFORE TAXATION19781977

£

£

GROUP

The loss is stated after charging:-

Depreciation	41,260	6,756
Directors' Fees	7,000	7,000
Other Remuneration	3,000	2,000
Auditors' Remuneration	800	900
Loan Interest	5,000	3,230
	<u>57,060</u>	<u>20,886</u>

and crediting:-

Income from Quoted Investments	-	352
Interest Receivable	-	2,569
Loss of profits Insurance following fire	7,000	-
	<u>7,000</u>	<u>2,921</u>

and after charging:-

Expenditure incurred in reinstatement of fixed assets following damage by extensive flooding.	29,918	-
	<u>29,918</u>	<u>-</u>

NOTES ON ACCOUNTS - 31ST OCTOBER 1978

(CONTINUED)

2. <u>(LOSS) PROFIT BEFORE TAXATION</u> (Continued)	<u>1978</u>	<u>1977</u>
	£	£
COMPANY		
The loss is stated after charging:-		
Depreciation	4,873	1,311
Directors' Fees	3,000	3,000
Other Remuneration	1,000	-
Auditors' Remuneration	500	600
Loan Interest	5,000	3,230
	<u> </u>	<u> </u>
and crediting:-		
Income from Quoted Investments	-	352
Dividend from Subsidiary Company	-	582
Loss of profits Insurance following fire	7,000	-
	<u> </u>	<u> </u>
and after charging:-		
Exceptional item: Expenditure incurred in reinstatement of fixed assets following damage by extensive flooding.	5,570	-
	<u> </u>	<u> </u>
3. <u>TAXATION</u>		
	<u>1978</u>	<u>1977</u>
	£	£
GROUP		
Transfer to deferred taxation	(13,000)	34,600
Corporation tax charge	-	-
Income tax on franked investment income	-	122
Taxation overprovision in respect of earlier years	-	(16,931)
	<u> </u>	<u> </u>
	<u>(13,000)</u>	<u>17,791</u>
COMPANY		
Transfer to deferred taxation	1,300	5,100
Corporation tax charge	-	-
Income tax on franked investment income	-	122
Taxation overprovision in respect of earlier years	-	(236)
	<u> </u>	<u> </u>
	<u>1,300</u>	<u>4,986</u>

NOTES ON ACCOUNTS - 31ST OCTOBER 1978(CONTINUED)4. DIRECTORS' REMUNERATION

	<u>1978</u>	<u>1977</u>
	£	£
GROUP		
Emoluments of the Chairman	3,000	3,000
Emoluments of the highest paid director	5,000	4,000
Number of other directors whose emoluments were within the ranges:-		
£0 - £2,500	<u>1</u>	<u>2</u>
COMPANY		
Emoluments of the Chairman	1,000	1,000
Emoluments of the highest paid director	2,000	1,000
Number of other directors whose emoluments were within the ranges:-		
£0 - £2,500	<u>1</u>	<u>2</u>

5. EXTRAORDINARY ITEMS

	<u>1978</u>	<u>1977</u>
	£	£
GROUP		
Excess of insurance proceeds over net book value of assets destroyed by fire during the period 31st October 1977	-	66,212
Profit on sale of Quoted Investments	-	17,821
Sale of Fixed Assets	3,500	3,401
	<u>3,500</u>	<u>87,434</u>
COMPANY		
Excess of insurance proceeds over net book value of assets destroyed by fire during the period 31st October 1977	-	67,944
Profit on sale of Quoted Investments	-	17,821
	<u>-</u>	<u>85,765</u>

NOTES ON ACCOUNTS - 31ST OCTOBER 1978

(CONTINUED)

6. FIXED ASSETS

GROUP

	<u>Short Lease</u>	<u>Amusement Devices</u>	<u>Fixtures & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£	£
COST					
31st October 1977	12,811	218,570	1,100	3,285	235,766
Additions	-	154,347	-	-	154,347
Disposals	-	-	-	(355)	(355)
31st October 1978	12,811	372,917	1,100	2,930	389,758
DEPRECIATION					
31st October 1977	12,675	46,591	646	1,910	61,822
Disposals	-	-	-	(355)	(355)
Charge to Profit and Loss Account	135	40,703	68	354	41,260
	12,810	87,294	714	1,909	102,727
NET BOOK VALUE					
31st October 1978	1	285,623	386	1,021	287,031
31st October 1977	136	171,979	454	1,375	173,944

COMPANY

	<u>Amusement Devices</u>
	£
COST	
31st October 1977	42,754
Additions	3,228
31st October 1978	45,982
DEPRECIATION	
31st October 1977	13,495
Charge to Profit and Loss Account	4,873
31st October 1978	18,369
NET BOOK VALUE	
31st October 1978	27,613
31st October 1977	29,258

NOTES ON ACCOUNTS - 31ST OCTOBER 1978(CONTINUED)7. ASSOCIATED COMPANY

	<u>1978</u>	<u>1977</u>
	£	£
Investment at cost	50	-
	<u>50</u>	<u>-</u>

The company has a 50% holding of the ordinary share capital of Helters Skateparke Southport Limited, a company registered in England. Helters Skatepark Southport Limited commenced trading as Skatepark proprietors at the end of May, 1978. Under the Companies Act 1967 the first accounts for the company are to be for the period from commencement to 31st October 1979. Accordingly the results for the period to 31st October 1978 have not been included in the consolidated accounts of Hotchkiss Patents and Investments Limited.

8. SUBSIDIARY COMPANY

The subsidiary company is Helters Limited, which is incorporated in the United Kingdom and registered in England.

9. DEPOSIT

The company is a founder member of the South Shore Mutual Insurance Company Limited, which is limited by guarantee. The reserves of South Shore Mutual Insurance Company Limited at 31st October 1978 amounted to £162,637 in which the company has a substantial interest, the precise amount of which depends upon a formula set out in the Insurance Company's Articles of Association.

10. SHARE CAPITAL

	<u>1977 and 1978</u>	
	<u>Authorised</u>	<u>Issued and Fully Paid</u>
	£	£
Ordinary Shares of £1 each	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

NOTES ON ACCOUNTS - 31ST OCTOBER 1978

(CONTINUED)

11. RESERVES

GROUP

	<u>Share Premium</u>	<u>Capital</u>	<u>Revenue</u>	<u>Total</u>
	£	£	£	£
31st October 1977	8,000	7,098	93,270	108,368
Loss for year	-	-	(18,914)	(18,914)
31st October 1978	8,000	7,098	74,356	89,454

COMPANY

	<u>Share Premium</u>	<u>Capital</u>	<u>Revenue</u>	<u>Total</u>
	£	£	£	£
31st October 1977	8,000	7,098	99,395	114,493
Loss for year	-	-	(12,786)	(12,786)
31st October 1978	8,000	7,098	86,609	101,707

12. LOAN CAPITAL

	<u>1978</u>	<u>1977</u>
	£	£
10% unsecured loan stock 1987/1996	50,000	50,000

13. DEFERRED TAXATION

GROUP

	£	£
31st October 1977	34,600	-
Charge for year	(13,000)	34,600
31st October 1978	21,600	34,600

COMPANY

	£	£
31st October 1977	5,100	-
Charge for the year	1,300	5,100
31st October 1978	6,400	5,100

14. CAPITAL COMMITMENTS

There are commitments for capital expenditure not provided for in these accounts at 31st October 1978 of £50,000. (1977 - £55,000).