

ACCOUNTANTS' REPORT ON THE UNAUDITED
ACCOUNTS TO THE DIRECTORS OF
CARBON ENGINEERING LIMITED
COMPANY NUMBER 2537751

As described on the Balance Sheet you are responsible for the preparation of the financial statements for the year ended 30 September 1996, set out on pages 3 to 6 and you consider that the company is exempt from an audit and a report under section 249A (2) of the Companies Act 1985. In accordance with your instructions, we have prepared these unaudited financial statements in order to assist you to fulfil your statutory responsibilities, from the accounting records and information and explanations supplied to us.

CHADWICK & HASSALL,
40 CHURCH STREET,
LEIGH,
GTR. MANCHESTER,
WN7 1BB.

28 February 1997

James J. J. J.
CHARTERED ACCOUNTANTS

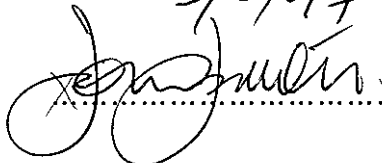


CARBON ENGINEERING LIMITED
BALANCE SHEET AS AT 30 SEPTEMBER 1996

	<u>1996</u>	<u>1995</u>
	£	£
<u>ASSETS EMPLOYED</u>		
<u>FIXED ASSETS</u>		
Tangible Assets	8917	8951
<u>CURRENT ASSETS</u>		
Debtors	4741	416
Cash at bank and in hand	<u>17708</u>	<u>29552</u>
	22449	29968
<u>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</u>	<u>4849</u>	<u>9546</u>
<u>NET CURRENT ASSETS</u>	<u>17600</u>	<u>20422</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>	26517	29373
<u>PROVISIONS FOR LIABILITIES AND CHARGES - DEFERRED TAXATION</u>	<u>433</u>	<u>455</u>
<u>NET ASSETS</u>	<u>£26084</u>	<u>£28918</u>
 <u>CAPITAL AND RESERVES</u>		
Called up Share Capital	2	2
Profit and Loss Account	<u>26082</u>	<u>28916</u>
	<u>£26084</u>	<u>£28918</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of section 294A(1) of the Companies Act 1985. Shareholders holding 10% or more of the nominal value of the company's issued share capital have not issued a notice requiring an audit. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985 and for preparing financial statements which give a true and fair view of the state of affairs of the company as at 30 September 1996 and of its profit for the year then ended in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to the financial statements so far as applicable to the company.

The directors have taken advantage, in the preparation of these financial statements, of special exemptions applicable to small companies under Schedule 8 Part I and IIIA of the Companies Act 1985 on the grounds that, in the opinion of the directors, the company qualifies as a small company and is entitled to make use of the special exemptions. The financial statements were approved by the Board on 5/2/97 1997 and signed on its behalf.

 (Director)

The attached notes form part of these financial statements.

CARBON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 1996

1. ACCOUNTING POLICIES

Basis of Accounting: The financial statements have been prepared under the historical cost convention.

Turnover represents sales less returns, discounts and value added tax.

Depreciation has been provided to write off the Fixed Assets listed below over their anticipated useful life at the following rates per annum on the reducing balance.

Tangible - Fixtures & Fittings - 15%
-do- - Motor Vehicles - 25%

Deferred Taxation Provision is made at current rates for taxation deferred in respect of timing differences caused by the excess of utilised tax allowances over the depreciation charged in the financial statements.

Cash Flow Statement The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a cash flow statement on the grounds that it is a small sized company.

2. FIXED ASSET

	<u>Tangible</u>		
	<u>Fixtures & Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
<u>Cost</u> at 1 October 1995	3362	16300	19662
<u>Additions</u>	<u>2349</u>	<u>-</u>	<u>2349</u>
<u>At 30 September 1996</u>	<u>5711</u>	<u>16300</u>	<u>22011</u>
<u>Accumulated Depreciation</u>			
<u>At 1 October 1995</u>	1288	9423	10711
<u>Charge for year</u>	<u>664</u>	<u>1719</u>	<u>2383</u>
<u>At 30 September 1996</u>	<u>1952</u>	<u>11142</u>	<u>13094</u>
<u>Net Book Value</u> at 30 September 1996	<u>3759</u>	<u>5158</u>	<u>8917</u>
<u>Net Book Value</u> at 30 September 1995	<u>2074</u>	<u>6877</u>	<u>8951</u>

3. CALLED UP SHARE CAPITAL

Authorised		
Ordinary Shares of £1 each	£1000	£1000
Allotted, called up and fully paid		
Ordinary Shares of £1 each	£ 2	£ 2