REGISTRAR'S COPY

Exwold Technology Limited

Abbreviated accounts
Registered number 2735432
31 March 1999

Contents

KPMG

Quayside House
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United Kingdom

Report of the auditors to the members of Exwold Technology Limited

pursuant to Section 247B of the Companies Act 1985

We have examined the abbreviated accounts set out on page 2 to 7, together with the financial statements of Exwold Technology Limited prepared under section 226 of the Companies Act for the year ended 31 March 1999.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246 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 sections 246(5) and (6) 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 sections 246(5) and (6) of the Companies Act 1985 and the abbreviated accounts have been properly prepared in accordance with those provisions.

Other information

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the accounts concerning the uncertainty as to the continuation and renewal of the company's bank overdraft facility. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

KPMG

KPMG
Chartered Accountants
Registered Auditors

26 January 2000

Balance sheet
at 31 March 1999

	Note	1999		1998	
		£	£	£	£
Fixed assets					
Intangible assets	2		11,582		11,582
Tangible assets	3		1,056,563		1,138,778
			1,068,145		1,150,360
Current assets					
Stocks		10,266		12,000	
Debtors		269,187		254,321	
Cash at bank and in hand		23		41,630	
		279,476		307,951	
Creditors: amounts falling due within one year	4	(615,576)		(572,388)	
Net current liabilities			(336,100)		(264,437)
Total assets less current liabilities			732,045		885,923
Creditors: amounts falling due after more than one year	4		(259,468)		(351,052)
Provisions for liabilities and charges			(46,672)		(44,168)
Net assets			425,905		490,703
Capital and reserves					
Called up share capital	5		536,865		536,865
Share premium account			11,720		11,720
Profit and loss account			(122,680)		(57,882)
Shareholders' funds					
Equity		(180,639)		(71,041)	
Non-equity		606,544		561,744	
			425,905		490,703

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These financial statements were approved by the board of directors on 26 January 2000 and were signed on its behalf by:

JA Robson
Director

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 accounts.

Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company meets is day to day working capital requirements through an overdraft facility which is repayable on demand.

The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending 5 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed and within that which they expect will be agreed in July 2000, when the company's bankers are due to consider renewing the facility for a further year. However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft facility by the company's bankers.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

Intangible fixed assets

Intangible fixed assets are capitalised at their cost. They are not depreciated as the residual value is considered to be at least equal to the cost.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold property	-	Life of lease
Motor vehicles	-	25% per annum
Plant and machinery	-	5% - 25% per annum

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate. Grants of a revenue nature are credited to profit and loss account in the period to which they relate.

Leases

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes *(continued)*

1 Accounting policies (continued)

Post-retirement benefits

The company does not operate a pension scheme but provides payments to employees in respect of pension contributions. The amounts charged against profits represent the contribution payable in respect of the accounting period.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

2 Intangible fixed assets

	Operating licence £
Cost and net book value	
At beginning and end of year	11,582

The intangible fixed asset represents the cost of obtaining authorisation under the Environmental Protection Act (part II) for the company's processes from HM Inspectorate of Pollution. In the opinion of the directors it should not be amortised as its residual value is at least equal to its cost.

Notes *(continued)*

3 Tangible fixed assets

	Total £
Cost	
At beginning of year	1,361,112
Additions	57,762
Disposals	(16,759)
At end of year	1,402,115
Depreciation	
At beginning of year	222,334
Charge for year	123,311
On disposals	(93)
At end of year	345,552
Net book value	
At 31 March 1999	**1,056,563**
At 31 March 1998	1,138,778

4 Creditors

Secured creditors comprise the following:

	1999 £	1998 £
Due within one year		
Bank loans and overdraft	**61,643**	40,000
Obligations under finance leases	**56,770**	58,117
Due after more than one year		
Bank loans	**102,999**	126,666
Obligations under finance leases	**66,986**	122,403

The bank loans and overdraft are secured by a fixed and floating charge over the assets of the company.

The finance lease obligations are secured on the assets to which they relate.

Amounts repayable in more than five years:

	1999 £	1998 £
Term loan	**6,000**	-

Notes *(continued)*

5 Called up share capital

		1999	1998
		£	£
Authorised			
Equity:	A Ordinary shares of £1 each	**65,000**	65,000
	B Ordinary shares of £1 each	**35,000**	35,000
	C Ordinary shares of 50p each	**28,865**	28,865
Non-equity:	B Preference shares of £1 each	**165,000**	165,000
	C Preference shares of £1 each	**250,000**	250,000
		543,865	543,865

		1999	1998
		£	£
Allotted, called up and fully paid			
Equity:	58,000 A Ordinary shares of £1 each	**58,000**	58,000
	35,000 B Ordinary shares of £1 each	**35,000**	35,000
	57,730 C Ordinary shares of 50p each	**28,865**	28,865
Non-equity:	165,000 B Preference shares of £1 each	**165,000**	165,000
	250,000 C Preference shares of £1 each	**250,000**	250,000
		536,865	536,865

The rights attaching to the shares in issue are as follows:

Dividends

The 'A' Ordinary shares do not have any rights to dividends other than for dividends voted by the directors.

The 'B' Ordinary shares have cumulative rights to a dividend of 10% of post-tax profits in respect of each financial year beginning with the financial year ended 31 March 1994 (subject to there being profits available for distribution). At 31 March 1999 cumulative unpaid dividends amounted to £12,233 *(1998: £12,233)*.

The 'C' Ordinary shares have cumulative rights to dividends (subject to there being profits available for distribution) of 10% of post-tax profits from the year ended 31 March 1999 rising to 20% of post-tax profits from the year ending 31 March 2003.

The 'B' Preference shares have cumulative rights to a fixed dividend of 12% of subscription price payable in respect of each financial year commencing after 31 March 1994. At 31 March 1999 cumulative unpaid dividends amounted to £166,544 *(1998: £146,744)*.

The 'C' Preference shares have cumulative rights to a fixed dividend of 10% of subscription price payable in respect of each financial year commencing after 31 March 1998. At 31 March 1999 cumulative unpaid dividends amounted to £25,000 *(1998: £nil)*.

Notes *(continued)*

5 **Share capital** *(continued)*

Redemption

The 'A' Ordinary and 'C' Ordinary shares are not redeemable.

The 'B' Ordinary shares are to be redeemed at the time of a stock exchange listing or on the sale of the equity shares at a premium primarily based on the value of the subscription price.

The redemption dates of the 'B' Preference shares were rescheduled during 1998 so as to be redeemed at a premium of 50 pence per share in instalments commencing 31 March 1998 and ending on 31 March 2000. No shares have been redeemed to date.

The 'C' Preference shares are scheduled to be redeemed at par in two equal annual instalments from 31 March 2001 or at the time of a stock exchange listing or on the sale of the equity shares which would be sufficient to pass control of the company to the purchaser, if earlier.

Winding up

On winding up, the assets of the company available for distribution among the members of the company shall be applied in the following order:

1 In paying to the holders of the 'B' Preference shares the redemption price per share together with any arrears or accruals of dividends thereon.

2 In paying to the holders of the 'C' Preference shares the redemption price per share together with any arrears or accruals of dividends thereon.

3 In paying to the holders of the 'B' Ordinary shares the subscription price per share together with any arrears of dividends.

4 In paying to the holders of the 'C' Ordinary shares the subscription price per share together with any arrears of dividends.

5 In paying to the holders of the 'A' Ordinary shares the amount paid up.

6 Any surplus assets of the company shall be distributed amongst the holders of the 'A' Ordinary shares, 'B' Ordinary shares and 'C' Ordinary shares in proportion to the number of shares held by them respectively.

Voting rights

1 Each holder of equity shares ('A' Ordinary, 'B' Ordinary and 'C' Ordinary) shall be entitled to vote at all general meetings of the company and shall have, on a poll, one vote for each equity share (of whatever class) of which he is the holder.

2 Each holder of the 'B' Preference shares and 'C' Preference shares has no right to vote unless the company has failed or been unable to redeem the relevant proportion of the 'B' Preference shares and 'C' Preference shares not previously redeemed on the relevant dates, and has not since such date effected such redemption, in which event each 'B' Preference shareholder and 'C' Preference shareholder shall have, on a poll, one vote for each 'B' Preference share and each 'C' Preference share of which he is the holder.