

EXWOLD TECHNOLOGY LIMITED
COMPANY NUMBER 2735432

ABBREVIATED ACCOUNTS

AT

31 MARCH 1998



EXWOLD TECHNOLOGY LIMITED

AUDITORS' REPORT TO THE COMPANY PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 2 to 8, together with the financial statements of the company prepared under Section 226 of the Companies Act 1985 for the year ended 31 March 1998.

Respective responsibilities of the directors and the 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 the company's entitlement 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 procedures we considered necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the 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 on pages 2 to 8 are properly prepared in accordance with those provisions.

Other information

On ...~~30~~ March..... 1999 we reported as auditors to the members of the company on the financial statements prepared under Section 226 of the Companies Act 1985 and our report included the following paragraph:

"Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 of the financial statements concerning the directors' efforts to raise additional funding. In view of the significance of the fact that the preparation of the financial statements on the going concern basis assumes the successful conclusion of this matter, we consider that these disclosures should be brought to your attention. Our opinion is not qualified in this respect."

Gilchrist, Tash

GILCHRIST, TASH
Chartered Accountants
& Registered Auditors

Cleveland Buildings
Queen's Square
Middlesbrough

.....~~30~~ March..... 1999

EXWOLD TECHNOLOGY LIMITED

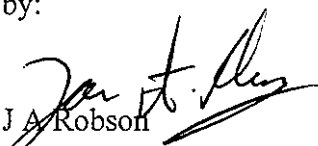
ABBREVIATED BALANCE SHEET

at 31 March 1998

	Notes	1998	1997
Fixed assets			
Tangible assets	2	1,138,778	300,261
Intangible assets	3	11,582	11,582
Current assets			
Stocks		12,000	7,652
Debtors		254,321	223,825
Cash at bank and in hand		<u>41,630</u>	<u>55</u>
		307,951	231,532
Creditors: amounts falling due within one year	4	<u>(572,388)</u>	<u>(328,756)</u>
Net current liabilities		<u>(264,437)</u>	<u>(97,224)</u>
Total assets less current liabilities		885,923	214,619
Creditors: amounts falling due after more than one year	4	(351,052)	(26,667)
Accruals and deferred income			
Deferred grants		<u>(44,168)</u>	<u>(11,040)</u>
		<u>(395,220)</u>	<u>(37,707)</u>
		£ <u>490,703</u>	£ <u>176,912</u>
Capital and reserves			
Called up share capital	5	536,865	245,000
Profit and loss account		(57,882)	(68,088)
Share premium account		<u>11,720</u>	<u>-</u>
Shareholders' funds (including non-equity interests)		£ <u>490,703</u>	£ <u>176,912</u>

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

The financial statements were approved by the Board on 29 March 1999 and are signed on their behalf by:


J A Robson
Director


G Lamb
Director

The notes on pages 3 to 8 form part of these abbreviated accounts.

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS at 31 March 1998

1. ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared under the historical cost convention.

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

The directors have prepared projections to consider the company's working capital requirements for the period ending 31 March 2000 and thereafter. These projections indicate that the company requires finance in excess of the current overdraft facilities and accordingly the directors are currently negotiating with the company's financiers for additional funding of approximately £120,000.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The validity of this assumption depends on the successful conclusion of the negotiations with the company's financiers. The financial statements do not include any adjustments that may result if negotiations were not concluded successfully.

Whilst the directors are presently uncertain as to the outcome of the negotiations mentioned above, they believe that it is appropriate for the financial statements to be prepared on the going concern basis.

Turnover

Turnover represents the invoiced amount of goods and services sold, together with contributions from customers as payment for new or improved production methods, excluding valued added tax. Contributions received towards the company's fixed assets expenditure (of £105,149) are included in turnover with the actual cost of the plant being included in tangible fixed assets.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset to its estimated residual value evenly over its anticipated useful life, as follows:

Leasehold property	10% on cost
Motor vehicles	25% on cost
Plant and other equipment	5% - 25% on cost

Intangible fixed assets are not depreciated.

Hire purchase commitments

Assets obtained under hire purchase contracts are capitalised in the balance sheet and depreciated over their useful lives. The interest element is charged to profit and loss account over the period of the contract and represents a proportion of the capital repayments.

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS at 31 March 1998

1. ACCOUNTING POLICIES (Continued)

Grants

Grants on capital expenditure are deferred and included in the profit and loss account by instalments over the expected useful life of the asset. Grants of a revenue nature are credited to profit and loss account in the period to which they relate.

Project related grants are deferred and included in the profit and loss account by instalments over four years.

Stocks

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

Finance costs

Finance costs of debt and non-equity shares are recognised in the profit and loss account over the term of such instruments. Where finance costs for non-equity shares are not equal to dividends on these instruments, the difference is accounted for in the profit and loss account as an appropriation of profits, and included within non-equity shareholders' funds in the balance sheet.

Operating leases

Operating lease rentals are charged to profit and loss account on a straight line basis over the term of the lease.

Deferred tax

Provision is made, under the liability method, for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability will crystallise in the foreseeable future. Provision is not made in respect of deferred tax assets.

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS at 31 March 1998

2. TANGIBLE FIXED ASSETS

	Total
Cost	
At 1 April 1997	456,440
Additions	913,672
Disposals	<u>(9,000)</u>
At 31 March 1998	£ <u>1,361,112</u>
Depreciation	
At 1 April 1997	156,179
Charge for year	66,155
On disposals	<u>-</u>
At 31 March 1998	£ <u>222,334</u>
Net book value:	
At 31 March 1998	£ <u>1,138,778</u>
At 31 March 1997	£ <u>300,261</u>

Additions to plant and other equipment include £34,131 of own labour capitalised.

The company's fixed assets include assets acquired under current hire purchase agreements as follows:

	1998	1997
Net book value	£ <u>265,535</u>	£ <u>-</u>
Depreciation provided during the year	£ <u>10,413</u>	£ <u>-</u>

3. INTANGIBLE FIXED ASSETS

Intangible fixed assets of £11,582 (1997 £11,582) represents the cost of obtaining authorisation under the Environmental Protection Act (Part 11) for the company's processes from HM Inspectorate of Pollution.

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS at 31 March 1998

4. CREDITORS

	1998	1997
Secured creditors	£ <u>347,186</u>	£ <u>105,302</u>

The company failed to redeem a tranche of preference shares that were due for redemption in March 1998. The company is therefore in breach of bank and other loan agreements and accordingly loans which were scheduled to be repaid over a number of years become repayable on demand. During the year ended March 1999 the lenders have not required such repayment and the relevant borrowings are included in creditors due after one year.

5. SHARE CAPITAL

This note sets out the position of the company's share capital as at 31 March 1998. The company's share capital was restructured in August 1997 and March 1998.

	1998	1997
Authorised		
65,000 A Ordinary shares of £1 each	65,000	45,000
35,000 B Ordinary shares of £1 each	35,000	35,000
57,730 C Ordinary shares of 50p each	28,865	-
165,000 B Preference shares of £1 each	165,000	165,000
250,000 C Preference shares of £1 each	<u>250,000</u>	<u>-</u>
	£ <u>543,865</u>	£ <u>245,000</u>

	1998	1997
Allotted, called up and fully paid		
58,000 A Ordinary shares of £1 each	58,000	45,000
35,000 B Ordinary shares of £1 each	35,000	35,000
57,730 C Ordinary shares of 50p each	28,865	-
165,000 B Preference shares of £1 each	165,000	165,000
250,000 C Preference shares of £1 each	<u>250,000</u>	<u>-</u>
	£ <u>536,865</u>	£ <u>245,000</u>

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS at 31 March 1998

5. SHARE CAPITAL (Continued)

During the year the company allotted the following shares:

	Nominal value	Consideration received
13,000 A Ordinary shares of £1 each	13,000	16,500
57,730 C Ordinary shares of 50p each	28,865	57,730
250,000 C Preference shares of £1 each	250,000	250,000

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 B Ordinary shares have a cumulative right to a dividend of a sum equal to 10% of post-tax profits in respect of each financial year beginning with the financial year ended 31 March 1994 and accruing from the day of issue of the shares, 11 June 1993. This will become payable six months after the end of the relative financial year subject to the company having sufficient profits available for distribution. The unprovided dividends at the end of the year were £12,233 (1997 £9,548).

The C Ordinary shares have a cumulative right to a dividend in respect of the following financial years:

Years ending 31 March 1999, 2000, and 2001	10% of post-tax profits
Year ending 31 March 2002	15% of post-tax profits
Years ending 31 March 2003 and subsequent years	20% of post-tax profits

The dividends will become payable six months after the end of the relative financial year subject to the company having sufficient profits available for distribution.

The redemption dates of the B Preference shares were rescheduled during the year so as to be redeemed at a premium of 50 pence per £1 share as follows:

41,000 Shares to be redeemed on 31 March 1998
41,000 Shares to be redeemed on 31 March 1999
83,000 Shares to be redeemed on 31 March 2000

The company did not redeem 41,000 B Preference shares on the due date of 31 March 1998.

EXWOLD TECHNOLOGY LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS

at 31 March 1998

5. SHARE CAPITAL (Continued)

The B Preference shares have a cumulative right to a 12% per annum dividend payable in respect of each financial year commencing after 31 March 1994 and accruing from 1 June 1994. This was payable at six monthly intervals commencing 30 September 1994. Provision is made for the premium on redemption and dividends over the term of the shares and is included within non-equity shareholders' funds. At 31 March 1998 the amount accrued was £146,744 (1997 £126,944).

The C Preference shares are scheduled to be redeemed at par at £1 share as follows:

125,000 Shares to be redeemed on 31 March 2001

125,000 Shares to be redeemed on 31 March 2002

The C Preference shares have a cumulative right to a 10% per annum dividend payable in respect of each financial year commencing after 31 March 1998. This was payable at six monthly intervals commencing 30 September 1998. Provision is made for the premium on redemption and dividends over the term of the shares and is included within non-equity shareholders' funds.

The B Preference shares and the C Preference shares will be redeemed before the aforementioned scheduled dates at par 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.