

Company Registration No. 2939693 (England and Wales)

MATCON GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2000



MATCON GROUP LIMITED

DIRECTORS AND ADVISERS

Directors	Sir John Aird C Lee J Thompson P Cooper D Drew D Dugdale M Bailey G L Barnes (Appointed 16 August 2000)
Secretary	J Thompson
Company number	2939693
Registered office	Matcon House, London Road Moreton-in-Marsh Glos GL56 0HJ
Registered auditors	Hazlewoods Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Bankers	Lloyds Bank Plc Ley Court, Barnett Way Gloucester GL4 3RT
Solicitors	Charles Russell Killowen House, Bayshill Road Cheltenham GL50 3AW

MATCON GROUP LIMITED

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MATCON GROUP LIMITED

DIRECTORS' REPORT for the year ended 31 December 2000

The directors present their report and financial statements for the year ended 31 December 2000.

Directors

The following directors have held office since 1 January 2000:

Sir John Aird

C Lee

J Thompson

P Cooper

D Drew

D Dugdale

M Bailey

G L Barnes

(Appointed 16 August 2000)

Principal activities and review of the business

The principal activity of the company continued to be that of management services.

The principal activity of the group is the design, engineering, manufacture and supply of powder handling systems.

The year 2000 was one of mixed blessings for Matcon. The group made great advances in many aspects of the business however we were disappointed with the poor overall financial performance.

Although we achieved a turnover £15,500,797, several of these jobs were for large, complex, customized systems with a high degree of engineering, which made them difficult to execute in an efficient and cost effective manner. The group made a conscious decision to take these jobs in a highly competitive environment in order to establish itself in certain key areas and bring new applications to the market. However much of our operations resources and management were absorbed in the finer detail of these jobs at the expense of winning and executing standard, more profitable jobs. Overall this detracted heavily from profits resulting in a loss before taxation for the year of £598,659. On the brighter side, we are pleased to report that these projects are now concluded to the satisfaction of the customers. Having been through the expensive learning curve, the group is very well positioned to win such business in the future and execute it profitably. This experience has also forced excellent depth in detailed project control, which is to the benefit of the group and its customers.

The Directors are confident that the group will return to material profitability during the current year.

Major investment was made during the year in research and development and as a result, five new products have been launched in the first quarter of 2001. These products have been extremely well received by the market and the sales force and will keep Matcon at the forefront of its field for many years to come.

The group also made excellent progress in achieving standardization of its product range. A number of innovative 'tools' have been developed in-house using internet technology, to present these products to the market and automate much of the sales and engineering administration processes. This has resulted in a major reduction in engineering requirements, risk and lead times, with very positive impact on the profit margins in 2001. It has also allowed us to significantly reduce our overhead while at the same time enhancing our capability to serve the market. The full benefit of this is being seen in the current year results to date.

MATCON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) for the year ended 31 December 2000

The group also invested in an integrated Sales and Marketing Database, which provides up to date sharing of customer and market information to all its businesses. This was implemented during 2000 and is now in routine use around the group with excellent advantages in communication and marketing initiatives.

The UK 'home-market' has received special sales attention in the year and is now yielding a substantial amount of good business across a broad spread of industries and contract values. The USA market was not very active in spite of the good economy, however a major marketing programme with our extensive American Representative force is paying dividends in the current year.

In addition to the two main centres of operation in UK and USA, elsewhere the group continued its commitment to its newer smaller operations in Scandinavia, Australia, Holland, Germany, Singapore and India and was rewarded with some excellent business from these territories. These operations provide the group with a valuable local presence in key territories and represent an investment in the future.

Results and dividends

The consolidated profit and loss account for the year is set out on page 5.

Group research and development activities

The group continues to develop its product range through its subsidiary undertaking, Matcon (R&D) Limited. During the year, the group has continued to make excellent improvements and expansion of its product range.

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

Matcon Group Limited

Ordinary shares of £ 1 each

	31 December 2000	1 January 2000
Sir John Aird	347,385	347,385
C Lee	50,000	50,000
J Thompson	23,400	23,400
P Cooper	19,600	19,600
D Drew	18,560	18,560
D Dugdale	71,100	71,100
M Bailey	-	-
G L Barnes	-	-

9% preference shares of £ 1 each

	31 December 2000	1 January 2000
Sir John Aird	435,543	435,543
C Lee	-	-
J Thompson	-	-
P Cooper	-	-
D Drew	-	-
D Dugdale	-	-
M Bailey	-	-
G L Barnes	-	-

MATCON GROUP LIMITED

DIRECTORS' REPORT (CONTINUED) for the year ended 31 December 2000

Each of the following directors had also been granted options in respect of 10,000 ordinary shares each :

C Lee
P Cooper
M Bailey
J Thompson
D Drew

The options are exercisable at a price of £4.10 and can be exercised at any time between 1 January 2001 and 27 November 2008.

Creditor payment policy

It is the company's and the group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of these terms and abide by them.

Auditors

Hazlewoods were appointed auditors to the company on 2 January 2001 and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

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 affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board


.....
J Thompson
Director
.....

MATCON GROUP LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF MATCON GROUP LIMITED

We have audited the financial statements on pages 5 to 27 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2000 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Hazelwoods

Chartered Accountants and Registered Auditors

Windsor House
Barnett Way
Barnwood
Gloucester
GL4 3RT

29.10.01

MATCON GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover		15,500,797	16,642,756
Cost of sales		(9,887,904)	(10,472,163)
Gross profit		<u>5,612,893</u>	<u>6,170,593</u>
Administrative expenses - normal		(6,169,306)	(5,625,592)
Administrative expenses - exceptional	3	62,272	
Operating (loss)/profit	3	<u>(494,141)</u>	<u>545,001</u>
Share of operating profit of associate		14,738	26,053
Investment income	4	-	16,717
Other interest receivable and similar income		14,579	21,167
Interest payable and similar charges	5	(133,835)	(74,336)
(Loss)/profit on ordinary activities before taxation		<u>(598,659)</u>	<u>534,602</u>
Tax on (loss)/profit on ordinary activities	7	107,918	(164,792)
(Loss)/profit on ordinary activities after taxation		<u>(490,741)</u>	<u>369,810</u>
Dividends (including those in respect of non-equity shares)	9	(43,620)	(60,463)
(Deficit after dividend)/retained profit for the year	20	<u><u>(534,361)</u></u>	<u><u>309,347</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MATCON GROUP LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2000

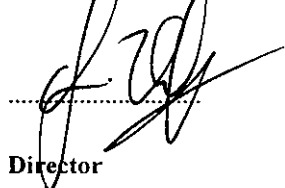
	2000	1999
	£	£
(Loss)/profit for the financial year	(490,741)	369,810
Currency translation differences on foreign currency net investments	29,646	4,256
Total recognised gains and losses relating to the year	(461,095)	365,554

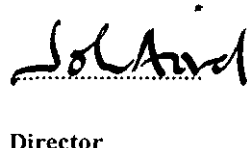
MATCON GROUP LIMITED

BALANCE SHEETS as at 31 December 2000

	Notes	Group 2000 £	1999 £	Company 2000 £	1999 £
Fixed assets					
Intangible assets	10	777,289	604,765	-	-
Tangible assets	11	786,745	842,192	-	-
Investments	12	368,304	396,432	2,260,778	2,260,778
		<u>1,932,338</u>	<u>1,843,389</u>	<u>2,260,778</u>	<u>2,260,778</u>
Current assets					
Stocks	13	623,493	508,867	-	-
Debtors	14	4,182,989	4,930,548	1,975,882	1,960,620
Cash at bank and in hand		273,055	297,140	-	-
		<u>5,079,537</u>	<u>5,736,555</u>	<u>1,975,882</u>	<u>1,960,620</u>
Creditors: amounts falling due within one year	15	(5,330,646)	(5,459,216)	(1,568,591)	(1,528,311)
Net current (liabilities)/assets		<u>(251,109)</u>	<u>277,339</u>	<u>407,291</u>	<u>432,309</u>
Total assets less current liabilities		<u>1,681,229</u>	<u>2,120,728</u>	<u>2,668,069</u>	<u>2,693,087</u>
Creditors: amounts falling due after more than one year	16	(159,761)	(154,450)	-	-
Provisions for liabilities and charges	17	(335,847)	(275,942)	-	-
		<u>1,185,621</u>	<u>1,690,336</u>	<u>2,668,069</u>	<u>2,693,087</u>
Capital and reserves					
Called up share capital	19	1,484,659	1,484,659	1,484,659	1,484,659
Other reserves	20	515,341	515,341	515,341	515,341
Profit and loss account	20	(814,379)	(309,664)	668,069	693,087
	21	<u>1,185,621</u>	<u>1,690,336</u>	<u>2,668,069</u>	<u>2,693,087</u>
Equity interests		<u>700,962</u>	<u>1,205,677</u>	<u>2,183,410</u>	<u>2,208,428</u>
Non-equity interests		<u>484,659</u>	<u>484,659</u>	<u>484,659</u>	<u>484,659</u>
		<u>1,185,621</u>	<u>1,690,336</u>	<u>2,668,069</u>	<u>2,693,087</u>

The financial statements were approved by the board on 13th Sept 2001


Director


Director

MATCON GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2000

	2000 £	1999 £
Net cash inflow from operating activities	220,366	142,311
Returns on investments and servicing of finance		
Interest received	14,579	21,167
Interest paid	(130,458)	(71,965)
Interest element of finance lease rentals	(3,377)	(2,371)
Dividends received	38,112	16,717
Non equity dividends paid	(43,620)	(60,463)
Net cash outflow for returns on investments and servicing of finance	(124,764)	(96,915)
Taxation	(97,076)	(279,778)
Capital expenditure		
Payments to acquire intangible assets	(270,375)	(188,933)
Payments to acquire tangible assets	(113,073)	(290,233)
Receipts from sales of tangible assets	6,365	1,100
Net cash outflow for capital expenditure	(377,083)	(478,066)
Acquisitions and disposals		
Purchase of subsidiary undertakings (net of cash acquired)	-	(78,789)
Sale of subsidiary undertakings (net of cash acquired)	-	172,290
Net cash inflow for acquisitions and disposals	-	93,501
Equity dividends paid	-	(225,000)
Net cash outflow before management of liquid resources and financing	(378,557)	(843,947)
Financing		
Redemption of preference shares	-	(276,011)
Repayment of long term bank loan	(9,171)	(6,248)
Capital element of finance lease contracts	(16,770)	(14,463)
Net cash outflow from financing	(25,941)	(296,722)
Decrease in cash in the year	(404,498)	(1,140,669)

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 December 2000

1	Reconciliation of operating (loss)/profit to net cash inflow from operating activities	2000	1999
		£	£
	Operating (loss)/profit	(494,141)	545,001
	Depreciation of tangible assets	211,644	242,082
	Amortisation of intangible assets	94,335	82,575
	Profit on disposal of tangible assets	(105)	(1,100)
	Increase in stocks	(114,626)	(200,950)
	Decrease/(increase) in debtors	920,085	(1,116,435)
	(Decrease)/increase in creditors and provisions	(396,826)	591,138
	Net cash inflow from operating activities	220,366	142,311
2	Analysis of net debt	1 January 2000	Cash flow Other non-cash changes 31 December 2000
		£	£
	Net cash:		
	Cash at bank and in hand	297,140	(27,153) 3,068 273,055
	Bank overdrafts	(920,807)	(377,345) - (1,298,152)
		(623,667)	(404,498) 3,068 (1,025,097)
	Debt:		
	Finance leases	(16,885)	16,770 (26,210) (26,325)
	Bank loans	(155,294)	9,171 (10,801) (156,924)
		(172,179)	25,941 (37,011) (183,249)
	Net debt	(795,846)	(378,557) (33,943) (1,208,346)
3	Reconciliation of net cash flow to movement in net debt	2000	1999
		£	£
	Decrease in cash in the year	(404,498)	(1,140,669)
	Cash inflow from increase in debt	25,941	20,711
	Net effect of foreign exchange differences	(7,733)	(21,184)
	New finance lease	(26,210)	-
	Movement in net debt in the year	(412,500)	(1,141,142)
	Opening net debt	(795,846)	345,296
	Closing net debt	(1,208,346)	(795,846)

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS for the year ended 31 December 2000

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, adopting the following principal accounting policies all of which are in accordance with applicable Accounting Standards.

1.2 Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings drawn up to 31 December 2000. Profits or losses on intra-group transactions are eliminated in full.

As a matter of accounting policy, goodwill arising on consolidation first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard Number 10, was written off to reserves on acquisition. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

Goodwill arising on consolidation in respect of future acquisitions, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, will be capitalised and amortised on a straight line basis over its estimated useful life.

1.3 Associated undertakings and joint ventures

Undertakings other than subsidiary undertakings and joint ventures, in which the group has an investment representing at least 20% of the voting rights and over which it exerts significant influence, are treated as associates.

The group's share of the profits and other recognised gains and losses of the associate are included in the group profit and loss account.

The group balance sheet includes the investment in the associate and joint venture at the group's share of net assets and the premium paid less any discount on the acquisition of the interest in so far as it has not already been written off or amortised.

1.4 Turnover

Turnover represents the amounts excluding value added tax receivable during the year for goods and services supplied.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the profit and loss account turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

1.5 Goodwill

Purchased goodwill, including that attributable to the acquisition of subsidiary and associated undertakings, is capitalised and written off over a period of 20 years. This period is considered by the directors to be its useful economic life.

1.6 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives of 10 years.

1.7 Research and development

Expenditure on research and development is written off in the year in which it is incurred.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

1 Accounting policies

(continued)

1.8 Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost less estimated residual value of tangible assets over their estimated useful lives at the following rates:

Freehold buildings	Over 39 years
Leasehold buildings	Over the period of the lease
Plant and machinery	10% to 25% of cost per annum
Fixtures, fittings & equipment	25% of cost per annum
Motor vehicles	25% of cost per annum

1.9 Leasing

Assets acquired under hire purchase and finance leases are recorded in the balance sheet as tangible fixed assets at their equivalent capital value. The corresponding liability is included under creditors due within or after one year. The interest element is charged to profit and loss account and represents a constant proportion of the balance of capital repayments outstanding.

The cost of and income from operating leases is respectively charged and credited to the profit and loss account on a straight line basis over the lease term.

1.10 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.11 Stock

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is represented by direct materials and labour together with attributable amounts of fixed and variable overheads incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price less further costs to completion and disposal.

1.12 Long term contracts

The attributable profit on long-term contracts is recognised once their outcome can be assessed with reasonable certainty. The profit recognised reflects the proportion of work completed to date on the project.

Costs associated with long-term contracts are included in stock to the extent that they cannot be matched with contract work accounted for as turnover. Long-term contract balances included in stocks are stated at cost, after provision has been made for any foreseeable losses and the deduction of applicable payments on account.

Full provision is made for losses on all contracts in the year in which the loss is first foreseen.

1.13 Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1.14 Deferred taxation

Provision is made for deferred taxation using the liability method (calculated at the rate at which it is estimated that tax will be payable) in respect of timing differences between losses as computed for tax purposes and losses as stated in the financial statements, to the extent that those differences will give rise to tax liabilities in the foreseeable future.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

1 Accounting policies

(continued)

1.15 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. Non-monetary assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of acquisition of the assets. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction, or at the contracted rate if the transaction is covered by a forward exchange contract. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

The financial statements of consolidated overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2000	1999
	£	£
Geographical segment		
UK	2,578,868	1,950,759
European Union	6,523,235	6,200,271
USA	4,605,150	6,413,803
Rest of the World	1,793,544	2,077,923
	<u>15,500,797</u>	<u>16,642,756</u>

3 Operating (loss)/profit

2000	1999
£	£

Operating (loss)/profit is stated after charging:

Depreciation of intangible assets	94,335	82,575
Depreciation of tangible assets	211,644	242,082
Research and development	285,647	209,758
Operating lease rentals	274,790	95,232
Auditors' remuneration (company £1,500; 1999 : £1,500)	44,974	52,165
Remuneration of auditors for non-audit work	34,601	44,158

The exceptional administrative expense of £62,272 (credit) relates to an adjustment to depreciation charges on property held by Matcon Inc, resulting from over depreciation in previous years due to an accounting error that was identified in the year.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

4	Investment income	2000	1999
		£	£
	Dividends received from own shares	-	16,717
		<u> </u>	<u> </u>
5	Interest payable	2000	1999
		£	£
	On bank loans and overdrafts	130,458	41,494
	On other loans wholly repayable within 5 years	-	30,471
	Lease finance charges	3,377	2,371
		<u> </u>	<u> </u>
		<u>133,835</u>	<u>74,336</u>

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

6	Directors and employees	2000 £	1999 £
	Directors' emoluments		
	Emoluments for qualifying services	477,107	481,876
	Company pension contributions to money purchase schemes	41,852	38,781
		<u>518,959</u>	<u>520,657</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (1999 - 6).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	92,783	116,520
Company pension contributions to money purchase schemes	8,754	10,860
	<u>101,537</u>	<u>127,380</u>

Number of employees

The average monthly number of employees (including directors) during the year was:

	2000 Number	1999 Number
Production and sales	88	70
Office and management	46	48
	<u>134</u>	<u>118</u>

Employment costs

	£	£
Wages and salaries	3,689,830	3,099,068
Social security costs	440,701	326,865
Other pension costs	277,586	162,348
	<u>4,408,117</u>	<u>3,588,281</u>

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

7	Taxation	2000 £	1999 £
	U.K. current year taxation		
	U.K. corporation tax	-	162,840
	Irrecoverable A.C.T.	-	(1,173)
	Overseas taxation	(115,137)	15,797
	Double tax relief	-	(6,300)
	Deferred taxation	6,051	(10,000)
	Associated undertakings	1,195	1,397
		<u>(107,891)</u>	<u>162,561</u>
	Prior years		
	U.K. corporation tax	(27)	2,231
		<u>(107,918)</u>	<u>164,792</u>

8 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The group loss for the financial year includes a profit of £18,602 (1999 : £645,006) dealt with in the profit and loss account of the parent company.

9	Dividends	2000 £	1999 £
	Dividends on non-equity shares:		
	Preference interim paid	43,620	13,961
	Preference final paid	-	46,502
		<u>43,620</u>	<u>60,463</u>

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

10 Intangible fixed assets

Group

	Patents £	Goodwill £	Total £
Cost			
At 1 January 2000	777,567	134,099	911,666
Exchange differences	-	(3,653)	(3,653)
Additions	270,375	-	270,375
	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,047,942	130,446	1,178,388
	<hr/>	<hr/>	<hr/>
Amortisation			
At 1 January 2000	302,082	4,819	306,901
Exchange differences	-	(137)	(137)
Charge for year	87,813	6,522	94,335
	<hr/>	<hr/>	<hr/>
At 31 December 2000	389,895	11,204	401,099
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2000	658,047	119,242	777,289
	<hr/>	<hr/>	<hr/>
At 31 December 1999	475,485	129,280	604,765
	<hr/>	<hr/>	<hr/>

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

11 Tangible fixed assets Group

	Freehold land and buildings	Short leasehold land and buildings	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 2000	316,788	188,996	609,941	1,296,832	18,641	2,431,198
Exchange differences	20,401	-	11,885	13,599	-	45,885
Additions	-	-	42,378	70,695	26,210	139,283
Disposals	-	-	-	(8,290)	-	(8,290)
At 31 December 2000	337,189	188,996	664,204	1,372,836	44,851	2,608,076
Depreciation						
At 1 January 2000	89,124	109,671	342,975	1,028,595	18,641	1,589,006
Exchange differences	5,739	-	4,984	11,988	-	22,711
On disposals	-	-	-	(2,030)	-	(2,030)
Charge for the year	(45,246)	17,542	81,661	152,911	4,776	211,644
At 31 December 2000	49,617	127,213	429,620	1,191,464	23,417	1,821,331
Net book value						
At 31 December 2000	287,572	61,783	234,584	181,372	21,434	786,745
At 31 December 1999	227,664	79,325	266,966	268,237	-	842,192

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Net book values				
At 31 December 2000	-	11,077	21,434	32,511
At 31 December 1999	-	18,462	-	18,462
Depreciation charge for the year				
31 December 2000	-	7,385	4,776	12,161
31 December 1999	-	7,385	-	7,385

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

12 Fixed asset investments

Group

	Shares in associated undertaking	Interest in own shares	Total
	£	£	£
Cost			
At 1 January 2000	135,654	-	396,432
Exchange differences	(3,559)	-	(3,559)
Share of deficit for year after dividends of associate	(24,569)	-	(24,569)
At 31 December 2000	107,526	-	368,304

The group has an investment in its own shares through its wholly owned subsidiary, Matcon (Trustee Company) Limited. Matcon (Trustee Company) Limited was incorporated to act as trustee to the Matcon Limited Share Ownership Trust, set up within the meaning of s743 of the Companies Act 1985. Costs associated with the management of the Trust are dealt with in the profit and loss account of Matcon Group Limited.

At the year end the Trust held 74,298 (1999 : 74,298) shares in the company at a cost of £260,778 (1999 : £260,778).

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

12 Fixed asset investments (continued)

Company

	Interest in own shares	Shares in subsidiary undertakings	Total
	£	£	£
Cost			
At 1 January 2000 and at 31 December 2000	260,778	2,000,000	2,260,778

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Matcon (Reconstruction) 1995 Limited	England and Wales	Ordinary	100
Matcon (Trustee Company) Limited	England and Wales	Ordinary	100
Matcon (R&D) Limited	England and Wales	Ordinary	100
Matcon Limited	England and Wales	Ordinary/preference	100
Matcon Overseas Limited	England and Wales	Ordinary	100
Matcon Inc	USA	Common stock	100
Material Control BV	Netherlands	Ordinary	100
Matcon Pacific Pty Limited	Australia	Ordinary	100
Matcon GmbH	Germany	Ordinary	100
Participating interests			
Matcon Sarl	France	Ordinary	50

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Matcon (Reconstruction) 1995 Limited	Provision of management services
Matcon (Trustee Company) Limited	Employee share ownership trust
Matcon (R&D) Limited	Management of patents and royalties, research and development
Matcon Limited	Design, engineering, manufacture and supply of powder handling systems
Matcon Overseas Limited	Holding company
Matcon Inc	Design, engineering, manufacture and supply of powder handling systems
Material Control BV	Sale of powder handling systems
Matcon Pacific Pty Limited	Design, engineering, manufacture and supply of powder handling systems
Matcon GmbH	Sale of powder handling systems
Matcon Sarl	Design, engineering and commissioning of powder handling systems

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

13 Stocks and work in progress

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Raw materials and consumables	272,918	133,594	-	-
Work in progress	350,575	375,273	-	-
	<u>623,493</u>	<u>508,867</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Trade debtors	2,981,956	3,661,423	-	-
Amounts recoverable on long term contracts	553,933	683,072	-	-
Amounts owed by group undertakings	-	-	1,960,520	1,960,520
Amounts owed by associated undertaking	140,528	74,785	-	-
Corporation tax	235,257	47,670	-	-
Other debtors	175,803	308,003	15,362	100
Prepayments and accrued income	95,512	155,595	-	-
	<u>4,182,989</u>	<u>4,930,548</u>	<u>1,975,882</u>	<u>1,960,620</u>

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

15 Creditors : amounts falling due within one year

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Bank loans and overdrafts	1,307,341	928,689	106,891	113,958
Payments received on account	1,481,137	1,240,317	-	-
Net obligations under finance lease and hire purchase contracts	14,299	9,847	-	-
Trade creditors	1,958,799	2,803,174	1,764	-
Amounts owed to group undertakings	-	-	1,456,399	1,407,816
Corporation tax	-	-	-	3,000
Other taxes and social security costs	95,941	83,614	-	-
Other creditors	78,927	65,490	3,512	3,512
Accruals and deferred income	394,202	328,085	25	25
	<u>5,330,646</u>	<u>5,459,216</u>	<u>1,568,591</u>	<u>1,528,311</u>

The group bank loans and overdrafts are secured by composite guarantees and debentures giving charges over the assets of the company and certain subsidiary undertakings.

Bank guarantees have been given by the group in respect of payments billed on account, which represents advance payments by customers against orders placed. The directors are of the opinion that the contracts will be satisfactorily completed, and that the amounts will not become repayable.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

16 Creditors : amounts falling due after more than one year

	Group 2000 £	1999 £	Company 2000 £	1999 £
Bank loans	147,735	147,412	-	-
Net obligations under finance leases and hire purchase agreements	12,026	7,038	-	-
	<u>159,761</u>	<u>154,450</u>	<u>-</u>	<u>-</u>
Analysis of loans				
Not wholly repayable within five years by instalments:				
Bank loan	156,924	155,294	-	-
Included in current liabilities	(9,189)	(7,882)	-	-
	<u>147,735</u>	<u>147,412</u>	<u>-</u>	<u>-</u>
Loan maturity analysis				
In more than one year but not more than two years	10,065	8,633	-	-
In more than two years but not more than five years	36,325	31,158	-	-
In more than five years	101,345	107,621	-	-
	<u>147,735</u>	<u>147,412</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year	14,299	9,847	-	-
Repayable between one and five years	12,026	7,038	-	-
	<u>26,325</u>	<u>16,885</u>	<u>-</u>	<u>-</u>

The bank loan is repayable in 60 monthly instalments of \$2,853 (£1,910 at year end rate) and 120 additional instalments payable at 1.5% above the bank's prime interest rate. The bank reserves the right to recall the loan on 30 May 2006.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

17 Provisions for liabilities and charges

	Other provisions £	Deferred taxation £	Total £
Balance at 1 January 2000	151,942	124,000	275,942
Profit and loss account	53,854	6,051	59,905
Balance at 31 December 2000	<u>205,796</u>	<u>130,051</u>	<u>335,847</u>

Other provisions relate to warranty provisions and provisions for remedial work on sales made in the year. The relevant costs are expected to be incurred during the year ended 31 December 2001.

Deferred taxation provided in the financial statements is as follows:

Group

	Fully provided 2000 £	1999 £
Accelerated capital allowances	<u>130,051</u>	<u>124,000</u>

18 Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

19	Share capital	2000 £	1999 £
	Authorised		
	1,000,000 Ordinary shares of £ 1 each	1,000,000	1,000,000
	1,000,000 9% preference shares of £ 1 each	1,000,000	1,000,000
		<u>2,000,000</u>	<u>2,000,000</u>
	Allotted, called up and fully paid		
	1,000,000 Ordinary shares of £ 1 each	1,000,000	1,000,000
	484,659 9% preference shares of £ 1 each	484,659	484,659
		<u>1,484,659</u>	<u>1,484,659</u>

The ordinary shares are classified as follows :

'A' ordinary shares - 363,573

'B' ordinary shares - 317,927

'C' ordinary shares - 268,500

'D' ordinary shares - 50,000

Each class of ordinary share carries equal rights except that, prior to a sale or listing of the company, any distribution of profits shall be made first to holders of 'A' shares then to holders of 'B' shares and 'C' shares equally and finally to holders of 'D' shares. Upon a sale or listing the 'A', 'B', 'C' and 'D' shares become one class of ordinary share.

The preference shares are non-equity shares which carry entitlement to a dividend at the rate of 9p (net) per share per annum. Holders of preference shares have one vote for every share held, but only on a resolution for the winding-up of the company or on a resolution affecting the rights attached to the shares. Preference shareholders have a right on winding-up to receive, in priority to any other class of shares, the sum of £1 per share together with any arrears of dividends.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

20 Statement of movements on reserves Group

	Other reserves	Profit and loss account
	£	£
Balance at 1 January 2000	515,341	(309,664)
Retained loss for the year	-	(534,361)
Currency translation differences on foreign currency net investments	-	29,646
Balance at 31 December 2000	<u>515,341</u>	<u>(814,379)</u>

Cumulative goodwill arising on consolidation amounting to £1,961,224 (1999 : £1,961,224) has been written off to the profit and loss account.

Company

	Other reserves	Profit and loss account
	£	£
Balance at 1 January 2000	515,341	693,087
Retained loss for the year	-	(25,018)
Balance at 31 December 2000	<u>515,341</u>	<u>668,069</u>

Other reserves above represent the capital redemption reserve.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

21 Reconciliation of movements in shareholders' funds	2000	1999
	£	£
Group		
(Loss)/Profit for the financial year	(490,741)	369,810
Dividends	(43,620)	(60,463)
	<u>(534,361)</u>	<u>309,347</u>
Foreign currency translation differences	29,646	(4,256)
Redemption of preference shares	-	(276,011)
	<u>(504,715)</u>	<u>29,080</u>
Net (depletion in)/addition to shareholders' funds	1,690,336	1,661,256
Opening shareholders' funds	<u>1,185,621</u>	<u>1,690,336</u>
Closing shareholders' funds	<u><u>1,185,621</u></u>	<u><u>1,690,336</u></u>
	2000	1999
Company	£	£
Profit for the financial year	18,602	645,006
Dividends	(43,620)	(60,463)
Redemption of preference shares	-	(276,011)
	<u>(25,018)</u>	<u>308,532</u>
Net (depletion in)/addition to shareholders' funds	2,693,087	2,384,555
Opening shareholders' funds	<u>2,668,069</u>	<u>2,693,087</u>
Closing shareholders' funds	<u><u>2,668,069</u></u>	<u><u>2,693,087</u></u>

22 Contingent liabilities

Group

During the year, the group has been involved in legal proceedings with a former customer. These proceedings are ongoing and are still to be settled. The directors have considered the potential outcome of the case and are of the opinion that the group is unlikely to incur any liability in respect of the claim, and that no practicable estimate can currently be made as to the extent of any liability that would arise. Consequently, no provision has been made in the financial statements relating to the case.

MATCON GROUP LIMITED

NOTES TO THE CONSOLIDATED ACCOUNTS (CONTINUED) for the year ended 31 December 2000

23 Financial commitments

At 31 December 2000 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	-	-	19,420	-
Between two and five years	-	-	65,972	44,127
In over five years	102,250	90,500	-	-
	<u>102,250</u>	<u>90,500</u>	<u>85,392</u>	<u>44,127</u>

24 Capital commitments

	Group		Company	
	2000	1999	2000	1999
	£	£	£	£
Contracted for but not provided in the financial statements	-	60,890	-	-
	<u>-</u>	<u>60,890</u>	<u>-</u>	<u>-</u>

25 Control

Both the group and the company are controlled by the directors as noted on page 1 of the financial statements.

26 Related party transactions

Group

The group owns 50% of Matcon Sarl, a company registered in France. During the year, sales of £144,640 were made to Matcon Sarl by the group, representing supplies for contracts and royalties. Also, purchases of £36,199 were made from Matcon Sarl by the group, representing supplies for contracts.

At the year end, the group was owed £176,859 by Matcon Sarl.

During the year, management services of £24,684 (1999 : £28,458) were invoiced to Healthcare Development Services Limited, a company in which Sir John Aird is also a director. At 31 December 2000 Healthcare Development Services Limited owed the group £7,251 (1999 : £12,967). During the year the group paid rent of £57,500 (1999 : £57,500) in respect of Matcon House. The landlord of the property is a pension fund in which Sir John Aird is the sole member.

