

**Plasma & Thermal Coatings Limited**

Financial statements

For the year ended 31 May 2003

Grant Thornton **Company no.3047279**

## Company information

<b>Company registration number</b>	3047279
<b>Directors</b>	Mr RJ Prince Mr D Bailey Mr B Brennan Mr AD Truelove Mrs S Morgan Mr SJ Bomford
<b>Secretary</b>	Sally Morgan
<b>Bankers</b>	HSBC 1 Bridge Street Newport Gwent NP20 4UT
<b>Solicitors</b>	Leo Abse and Cohen 40 Churchill Way Cardiff CF10 2SS
<b>Auditors</b>	Grant Thornton Chartered Accountants Registered Auditors 11-13 Penhill Road CARDIFF South Glamorgan CF11 9UP

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 May 2003.

### Principal activities and business review

The principal activity of the company during the year was the supply of thermal spray coatings and technology.

There was a profit for the year after taxation amounting to £316,609 (2002:£274,987).

During the year the directors recommended dividends of £210,600 (2002:£58,500).

### The directors and their interests in shares of the company

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 May 2003	At 1 June 2002
Mr RJ Prince	39,000	39,000
Mr D Bailey	13,000	13,000
Mr B Brennan	13,000	13,000
Mr AD Truelove	13,000	13,000
Mrs S Morgan	12,999	12,999
Mr SJ Bomford	—	—

### 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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on pages 7 to 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

A resolution to re-appoint Grant Thornton as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

**Small company provisions**

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

BY ORDER OF THE BOARD

*Sally Morgan*

Sally Morgan  
Secretary

21 OCT 2003  
.....

## Report of the independent auditors to the members of Plasma & Thermal Coatings Limited

We have audited the financial statements of Plasma & Thermal Coatings Limited for the year ended 31 May 2003 which comprise the profit and loss account, balance sheet, principal accounting policies and notes 1 to 16. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

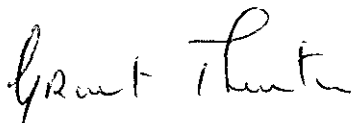
### **Basis of opinion**

We conducted our audit in accordance with United Kingdom 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 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 as at 31 May 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



GRANT THORNTON  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS  
CARDIFF

22 OCT 2003  
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## Principal accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

### Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

### Research and development

Research and development expenditure is written off in the year in which it is incurred. Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is charged from that time in line with the expected future sales from the project.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	-	5 to 10 years
Fixtures & Fittings	-	5 years
Motor Vehicles	-	4 years
Computer Equipment	-	3 years

### Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.



### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the Profit and Loss Account.

### **Deferred taxation**

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

### **Deferred government grants**

Government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

## Profit and loss account

	Note	2003 £	2002 £
Turnover		2,372,418	2,653,278
Cost of sales		1,180,027	1,534,463
Gross profit		1,192,391	1,118,815
Other operating income and charges	1	754,884	766,222
<b>Operating profit</b>	3	437,507	352,593
Interest receivable and similar income		4,328	490
Interest payable		(16,201)	(17,070)
<b>Profit on ordinary activities before taxation</b>		425,634	336,013
Tax on profit on ordinary activities	4	109,025	61,026
<b>Profit on ordinary activities after taxation</b>		316,609	274,987
Equity dividends paid		210,600	58,500
<b>Retained profit for the financial year</b>		106,009	216,487

## Balance sheet

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	5	<u>452,283</u>	<u>446,523</u>
<b>Current assets</b>			
Stocks	6	57,774	46,959
Debtors	7	449,718	683,170
Cash at bank and in hand		<u>374,186</u>	<u>147,312</u>
		881,678	877,441
<b>Creditors: amounts falling due within one year</b>	8	<u>596,752</u>	<u>725,362</u>
<b>Net current assets</b>		<u>284,926</u>	<u>152,079</u>
<b>Total assets less current liabilities</b>		<u>737,209</u>	<u>598,602</u>
<b>Creditors: amounts falling due after more than one year</b>	9	<u>35,802</u>	<u>25,027</u>
		<u>701,407</u>	<u>573,575</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	11	57,823	36,000
		<u>643,584</u>	<u>537,575</u>
<b>Capital and reserves</b>			
Called-up equity share capital	14	117,000	117,000
Other reserves	15	13,000	13,000
Profit and Loss Account	15	<u>513,584</u>	<u>407,575</u>
<b>Shareholders' funds</b>		<u>643,584</u>	<u>537,575</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

21 OCT 2003

These financial statements were approved by the directors on ..... and are signed on their behalf by:

  
M. RJ Prince

## Notes to the financial statements

### 1 Other operating income and charges

	2003	2002
	£	£
Distribution costs	71,519	100,556
Administrative expenses	706,879	668,208
Other operating income	(23,514)	(2,542)
	<u>754,884</u>	<u>766,222</u>

### 2 Other operating income

	2003	2002
	£	£
Other operating income	<u>23,514</u>	<u>2,542</u>

### 3 Operating profit

Operating profit is stated after charging/(crediting):

	2003	2002
	£	£
Directors' emoluments	380,689	378,364
Staff pension contributions	55,679	45,623
Amortisation of government grants re fixed assets	(700)	(700)
Depreciation	91,130	76,673
(Profit)/loss on disposal of fixed assets	(2,595)	13,204
Auditors' fees	5,500	9,650
Net loss on foreign currency translation	<u>9</u>	<u>-</u>

#### 4 Tax on profit on ordinary activities

##### Taxation

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2002 - 20%)	87,177	54,613
Over/under provision in prior year	25	413
Total current tax	87,202	55,026
Deferred tax:		
Increase in deferred tax provision (note 11)		
Capital allowances	23,188	6,000
Other	(1,365)	—
Total deferred tax (note 11)	21,823	6,000
Tax on profit on ordinary activities	109,025	61,026

#### 5 Tangible fixed assets

	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Computer £	Total £
Cost					
At 1 June 2002	729,860	114,554	63,995	15,647	924,056
Additions	—	31,587	39,870	26,437	97,894
Disposals	—	—	(16,995)	(668)	(17,663)
At 31 May 2003	729,860	146,141	86,870	41,416	1,004,287
Depreciation					
At 1 June 2002	397,535	58,744	14,518	6,736	477,533
Charge for the year	46,780	15,163	19,395	9,792	91,130
On disposals	—	—	(16,287)	(372)	(16,659)
At 31 May 2003	444,315	73,907	17,626	16,156	552,004
Net book value					
At 31 May 2003	285,545	72,234	69,244	25,260	452,283
At 31 May 2002	332,325	55,810	49,477	8,911	446,523

##### Finance leases and hire purchase agreements

Included within the net book value of £452,283 is £69,244 (2002 - £49,477) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £19,396 (2002 - £6,374).

**6 Stocks**

	2003	2002
	£	£
Raw materials	<u>57,774</u>	<u>46,959</u>

**7 Debtors**

	2003	2002
	£	£
Trade debtors	390,003	576,987
Directors current accounts	—	25,000
Other debtors	59,715	81,183
	<u>449,718</u>	<u>683,170</u>

**8 Creditors: amounts falling due within one year**

	2003	2002
	£	£
Trade creditors	160,171	281,223
Corporation tax	87,177	54,613
Other taxation and social security	96,236	121,168
Amounts due under finance leases and hire purchase agreements	19,971	15,359
Other creditors	233,197	252,999
	<u>596,752</u>	<u>725,362</u>

**9 Creditors: amounts falling due after more than one year**

	2003	2002
	£	£
Amounts due under finance leases and hire purchase agreements	<u>35,802</u>	<u>25,027</u>

**10 Pensions**

Defined Contribution Pension Scheme

The pension costs charged against operating profits are the contributions payable to the scheme in respect of the accounting period.

**11 Deferred taxation**

	2003	2002
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	36,000	30,000
Profit and Loss Account movement arising during the year	21,823	6,000
Provision carried forward	<u>57,823</u>	<u>36,000</u>

# **11 Deferred taxation (continued)**

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2003	2002
	£	£
Excess of taxation allowances over depreciation on fixed assets	59,188	36,000
Other timing differences	(1,365)	—
	<u>57,823</u>	<u>36,000</u>

# **12 Leasing commitments**

At 31 May 2003 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2003	2002
	£	£
Operating leases which expire:		
Within 1 year	—	15,359
Within 2 to 5 years	17,588	25,027
	<u>17,588</u>	<u>40,386</u>

# **13 Related party transactions**

Mr RJ Prince is a director of Basicmemory Limited. During the previous year Plasma & Thermal Coatings Limited loaned Basicmemory Limited £37,443. At the year end £37,443 (2002:£37,443) continued to be outstanding.

# **14 Share capital**

Authorised share capital:

	2003	2002
	£	£
150,000 Ordinary shares of £1 each	<u>150,000</u>	<u>150,000</u>

Allotted, called up and fully paid:

	2003	2002
	£	£
Ordinary share capital	<u>117,000</u>	<u>117,000</u>

# **15 Reconciliation of shareholders' funds and movement on reserves**

	Share capital	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£
Balance brought forward	117,000	13,000	407,575	537,575
Retained profit for the year	—	—	316,609	316,609
Dividends	—	—	(210,600)	(210,600)
Balance carried forward	<u>117,000</u>	<u>13,000</u>	<u>513,584</u>	<u>643,584</u>

**16 Capital commitments**

Amounts contracted for but not provided in the financial statements amounted to £65,254 (2002 - £-).