Company Registration No. SC 214445 (Scotland)

IRIS TECHNOLOGY LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2003

IRIS TECHNOLOGY LIMITED

INDEPENDENT AUDITORS' REPORT TO IRIS TECHNOLOGY LIMITED UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 2 to 4 , together with the financial statements of the company for the year ended 31 January 2003 prepared under section 226 of the Companies Act 1985.

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 audit opinion

We have carried out the 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 4 are properly prepared in accordance with those provisions.

Lonsdale & Partners

Chartered Accountants
Registered Auditor

28 July 2003

Priory Close
St Mary's Gate
Lancaster
LA1 1XB

IRIS TECHNOLOGY LIMITED

ABBREVIATED BALANCE SHEET
AS AT 31 JANUARY 2003

		2003		2002 as restated	
	Notes	**£**	**£**	**£**	**£**
Fixed assets					
Intangible assets	2		(16,495)		(32,989)
Tangible assets	2		41,202		39,786
			24,707		6,797
Current assets					
Stocks		144,687		82,795	
Debtors		138,705		24,213	
Cash at bank and in hand		1,017		841	
		284,409		107,849	
Creditors: amounts falling due within one year		(369,343)		(338,765)	
Net current liabilities			(84,934)		(230,916)
Total assets less current liabilities			(60,227)		(224,119)
Creditors: amounts falling due after more than one year	3		(83,115)		(59,755)
			(143,342)		(283,874)
Capital and reserves					
Called up share capital	4		40,000		10,000
Share premium account			510,000		-
Profit and loss account			(693,342)		(293,874)
Shareholders' funds			(143,342)		(283,874)

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

The financial statements were approved by the Board on 24 July 2003

D E Ireland
Director

NOTES TO THE ABBREVIATED ACCOUNTS
FOR THE YEAR ENDED 31 JANUARY 2003

1 Accounting policies

1 .1 Accounting convention

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

As at 31 January 2003 the company had net liabilities of £143,342. The director's consider the accounts to be properly prepared under the going concern basis as a result of the following:-

On 4 March 2003 further capital was raised by the issue of £145,455 10p ordinary shares at a premium of 58.74978 pence per share making a total subscription price of £100,000 and by the issue of £250,000 10% loan stock 2008 at par.

On 12 June 2003 the company received a Small Firms Loan Guarantee Scheme loan for £100,000.

1 .2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1 .3 Goodwill

Negative goodwill is recognised in the profit and loss account on a straight line basis over three years, which is the period the company expects the corresponding assets to be used.

1 .4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

This is a change of accounting policy, previously development expenditure was deferred and amortised over the period during which the company was expected to benefit from each project.

Development expentiture amounting to £205,981 has been written off to the profit and loss account in the year ended 31 January 2003.

1 .5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	33% straight line / 10% straight line
Motor vehicles	33% straight line

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)
FOR THE YEAR ENDED 31 JANUARY 2003

2 Fixed assets

	Intangible assets	Tangible assets	Total
	£	£	£
Cost			
At 1 February 2002	(49,483)	55,810	6,327
Additions	-	29,460	29,460
At 31 January 2003	(49,483)	85,270	35,787
Depreciation			
At 1 February 2002	(16,494)	16,024	(470)
Charge for the year	(16,494)	28,044	11,550
At 31 January 2003	(32,988)	44,068	11,080
Net book value			
At 31 January 2003	(16,495)	41,202	24,707
At 31 January 2002	(32,989)	39,786	6,797

3 Creditors: amounts falling due after more than one year

The aggregate amount of creditors for which security has been given amounted to £37,037 (2002 - £48,148).

Included in the above is £11,111 falling due within one year.

4 Share capital

	2003	2002
	£	£
Authorised		
- Ordinary shares of £ 1 each	-	10,000
400,000 Ordinary shares of 10p each	40,000	-
	40,000	10,000
Allotted, called up and fully paid		
- Ordinary shares of £ 1 each	-	10,000
400,000 Ordinary shares of 10p each	40,000	-
	40,000	10,000

During the year the 10,000 ordinary shares of £1 each were split into 100,000 ordinary shares of 10p each and further allotments were made for cash consideration of 200,000 ordinary 10p shares at 20p per share and 100,000 ordinary 10p shares at £5.00 per share.

This resulted in a premium on shares issued during the year of £510,000.