

REGISTRAR'S COPY



PYROBAN ENVIROSAFE LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 1998

Company No. 3131901

PYROBAN ENVIROSAFE LIMITED

FINANCIAL STATEMENTS

For the year ended 30 June 1998

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PYROBAN ENVIROSAFE LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 June 1998.

Principal activity

The company is principally engaged in the sale of emission control and energy conservation products.

Results and dividends

The loss for the year after taxation amounted to £9,931. The directors are unable to recommend the payment of a dividend and the loss has been transferred to reserves.

Year 2000 compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of our customers and suppliers.

The company has reviewed its computer systems for the impact of the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail.

The company has requested from major customers, suppliers and other trading partners with whom information is exchanged electronically, confirmation that their relevant systems are Year 2000 compliant.

This issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the Board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

External costs to address the issues are not expected to be significant.

Review of the business

The company made significant progress during the year with an increase in turnover, reflecting its improving position in the market place.

Further work was started to secure a better product range for the company and this will contribute to a stronger competitive position in the future.

In the meantime support from the parent company will continue.

PYROBAN ENVIROSAFE LIMITED

REPORT OF THE DIRECTORS

Directors

The directors who held office during the year were as follows:-

B N Tyrer
P Behdad
R J Daley

The directors have no beneficial interest in the issued share capital of the company except Mr R J Daley who held 10 ordinary shares of £1 each throughout the year.

B N Tyrer and P Behdad are also directors of Pyroban Group Limited which is the ultimate parent undertaking. Their interests in the shares of that company are disclosed in the directors' report of Pyroban Group Limited.

Mr R J Daley has an option to acquire up to a further 12 ordinary shares of £1 each.

Statement of directors' responsibilities for the financial statements

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 profit or loss of the company 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;
- * 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 385 of the Companies Act 1985.

By Order of the Board



P BEHDAD
Secretary

Registered office:

Endeavour Works
Dolphin Road
SHOREHAM BY SEA
West Sussex
BN43 6QG

16 December 1998

**AUDITORS' REPORT TO THE MEMBERS OF
PYROBAN ENVIROSAFE LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on pages 4 and 5.

Respective responsibilities of directors and auditors

As described on page 2 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 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 the company's affairs at 30 June 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


**GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS**

Brighton

16 December 1998

PYROBAN ENVIROSAFE LIMITED

ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the company, which are unchanged from the previous year, are set out below.

TURNOVER

Turnover is the total amount receivable by the company in the ordinary course of business for goods and services provided as a principal, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives.

The rates generally applicable are:

Fixtures, fittings and equipment:	
Computer	33% straight line
Other	15% reducing balance
Motor vehicle	25% straight line
Leased assets	the lesser of the period of the lease or the useful life of the asset

GOODWILL

Purchased goodwill is amortised on a straight line basis over its estimated useful economic life of 5 years.

STOCKS

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

DEFERRED TAX

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

FOREIGN CURRENCIES

Exchange profits or losses arising from transactions in foreign currencies are accounted for through the profit and loss account.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the total payments made under these are charged to the profit and loss account on a straight line basis over the duration of the lease.

PYROBAN ENVIROSAFE LIMITED

ACCOUNTING POLICIES

PENSION COSTS

The pension costs charged to the profit and loss account represent the amount of the contributions payable to the defined contribution scheme in respect of the accounting period.

RESEARCH AND DEVELOPMENT

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

PYROBAN ENVIROSAFE LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 30 June 1998

	Note	1998 £	1997 £
Turnover	1	<u>219,232</u>	<u>82,789</u>
Raw materials and consumables		135,269	42,668
Staff costs	2	42,146	40,296
Depreciation and amortisation		9,831	10,655
Other operating charges		<u>35,378</u>	<u>34,928</u>
		<u>222,624</u>	<u>128,547</u>
Operating loss		(3,392)	(45,758)
Interest payable	3	<u>6,539</u>	<u>5,447</u>
Loss on ordinary activities before taxation	1	(9,931)	(51,205)
Tax on loss on ordinary activities	4	-	-
		<u>-</u>	<u>-</u>
Loss sustained for the financial year	12,13	<u>(9,931)</u>	<u>(51,205)</u>

There were no recognised gains or losses other than the loss for the year.

The accompanying accounting policies and notes form an integral part of these financial statements.

PYROBAN ENVIROSAFE LIMITED

BALANCE SHEET AT 30 JUNE 1998

	Note	£	1998 £	£	1997 £
Fixed assets					
Intangible assets	5		9,065		12,569
Tangible assets	6		<u>11,904</u>		<u>13,916</u>
			20,969		26,485
Current assets					
Stocks	7		18,857		20,907
Debtors	8		42,499		24,658
Cash at bank and in hand			<u>79</u>		<u>75</u>
			61,435		45,640
Creditors: amounts falling due within one year	9		<u>122,969</u>		<u>100,766</u>
Net current liabilities			<u>(61,534)</u>		<u>(55,126)</u>
Total assets less current liabilities			<u>(40,565)</u>		<u>(28,641)</u>
Creditors: amounts falling due after more than one year	10		30,000		31,993
Capital and reserves					
Called up share capital	11	100		100	
Profit and loss account	12	(70,665)		(60,734)	
Shareholders' funds	13		<u>(70,565)</u>		<u>(60,634)</u>
			<u>(40,565)</u>		<u>(28,641)</u>

The financial statements were approved by the Board of Directors on *16th December 1998*

[Signature]
B N TYRER

)
)
) DIRECTORS
)
)

[Signature]
P BIRHEAD

The accompanying accounting policies and notes form an integral part of these financial statements

PYROBAN ENVIROSAFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

1 TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The turnover and loss on ordinary activities are attributable to the company's principal activity as defined in the Report of the Directors. Apart from £319 of exports (1997: nil), turnover arose wholly within the United Kingdom.

Loss on ordinary activities is stated after:

	1998 £	1997 £
Auditors' remuneration	1,400	1,400
Operating lease rentals - land and buildings	<u>5,350</u>	<u>5,350</u>

2 STAFF COSTS

	1998 £	1997 £
Staff costs during the year		
Wages and salaries	36,897	35,403
Social security	3,269	2,913
Pension costs - money purchase scheme	<u>1,980</u>	<u>1,980</u>
	<u>42,146</u>	<u>40,296</u>

The average number of employees during the year was:

Administration and sales	<u>2</u>	<u>2</u>
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Remuneration in respect of directors was as follows:

	1998 £	1997 £
Aggregate emoluments	<u>26,278</u>	<u>27,382</u>
Pension contributions	<u>1,980</u>	<u>1,980</u>

Retirement benefits are accruing under a money purchase scheme to 1 director.

3 INTEREST PAYABLE

	1998 £	1997 £
On bank loans and overdrafts	5,984	4,892
Finance charges in respect of hire purchase contracts	<u>555</u>	<u>555</u>
	<u>6,539</u>	<u>5,447</u>

PYROBAN ENVIROSAFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

4 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no tax charge for either year.

The company has losses for corporation tax purposes in the year which have been surrendered to other group companies.

5 INTANGIBLE FIXED ASSETS

	Goodwill £
Cost	
At 1 July 1997 and at 30 June 1998	<u>17,534</u>
Amortisation	
At 1 July 1997	4,965
Charge for the year	<u>3,504</u>
At 30 June 1998	<u>8,469</u>
Net book amounts	
At 30 June 1998	<u>9,065</u>
At 30 June 1997	<u>12,569</u>

6 TANGIBLE FIXED ASSETS

	Total £	Fixtures, fittings and equipment £	Motor vehicle £
Cost			
At 1 July 1997	24,036	10,026	14,010
Additions	<u>4,315</u>	<u>4,315</u>	-
At 30 June 1998	<u>28,351</u>	<u>14,341</u>	<u>14,010</u>
Depreciation			
At 1 July 1997	10,120	3,504	6,616
Charge for the year	<u>6,327</u>	<u>1,657</u>	<u>4,670</u>
At 30 June 1998	<u>16,447</u>	<u>5,161</u>	<u>11,286</u>
Net book amounts			
At 30 June 1998	<u>11,904</u>	<u>9,180</u>	<u>2,724</u>
At 30 June 1997	<u>13,916</u>	<u>6,522</u>	<u>7,394</u>

The motor vehicle is held under a hire purchase agreement.

PYROBAN ENVIROSAFE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1998

7 STOCKS

	1998 £	1997 £
Raw materials	<u>18,857</u>	<u>20,907</u>

There were no significant differences between the replacement cost and the values disclosed for stocks.

8 DEBTORS

	1998 £	1997 £
Amounts falling due within one year:		
Amounts due from group undertaking	319	3,975
Trade debtors	41,171	19,776
Prepayments and accrued income	<u>1,009</u>	<u>907</u>
	<u>42,499</u>	<u>24,658</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Bank overdraft	69,153	65,532
Hire purchase instalments	1,992	4,670
Trade creditors	34,183	22,798
Amount due to parent undertaking	8,735	2,098
Social security and other taxes	3,873	2,242
Accruals and deferred income	4,915	3,133
Other creditors	<u>118</u>	<u>293</u>
	<u>122,969</u>	<u>100,766</u>

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

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Amount due to parent undertaking	30,000	30,000
Hire purchase instalments due between 1 and 5 years	-	<u>1,993</u>
	<u>30,000</u>	<u>31,993</u>

PYROBAN ENVIROSAFE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 1998

11 CALLED UP SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted, called up and fully paid 100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

Options granted to a director, Mr R J Daley, for the purchase of 12 ordinary shares of £1 each were outstanding at 30 June 1998. The options are exercisable in four equal instalments in respect of the four financial years ended 30 June 2001. The options are exercisable in the 30 day period commencing on the date the accounts are laid before and approved by the company in general meeting. The option price is based on a multiple of post tax earnings during the option period.

12 PROFIT AND LOSS ACCOUNT

	£
At 1 July 1997	(60,734)
Loss sustained for the year	<u>(9,931)</u>
At 30 June 1998	<u>(70,665)</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Loss for the financial year	(9,931)	(51,205)
Opening shareholders' funds	<u>(60,634)</u>	<u>(9,429)</u>
Closing shareholders' funds	<u>(70,565)</u>	<u>(60,634)</u>

14 OPERATING LEASE COMMITMENTS

The company is committed to leasing payments on land and buildings of **£5,750** (1997: £5,350) per annum. The commitments to make the payments expire in 2 to 5 years.

15 CAPITAL COMMITMENTS

The company had no capital commitments at 30 June 1998 or at 30 June 1997.

16 CONTINGENT LIABILITIES

The company had no contingent liabilities at 30 June 1998 or at 30 June 1997.

PYROBAN ENVIROSAFE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 1998

17 RELATED PARTY TRANSACTIONS

In accordance with the terms of Financial Reporting Standard No 8 on Related Party Transactions, details of transactions with the company's fellow subsidiary undertakings are not disclosed, as Pyroban Group Limited prepares consolidated financial statements which include the results of all the companies in the group.

18 ULTIMATE HOLDING UNDERTAKING

The ultimate holding undertaking is Pyroban Group Limited which is incorporated in England and Wales.

Pyroban Group Limited has agreed to continue supporting this company for at least a year from the date of approval of these financial statements.