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SILVERTECH LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2002



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SILVERTECH LIMITED

INDEX TO REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JANUARY 2002

DIRECTORS:

**G.P. Elliott
W.J Quinn
K.G.L. Simpson
S. Blair
R.A.K. Waterhouse**

SECRETARY:

A.J. Sanger

REGISTERED OFFICE:

**Holmwood
Broadlands Business Campus
Langhurstwood Road
Horsham
West Sussex**

REGISTERED NO:

1783852

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The following pages do not form part of the Statutory Accounts:

Detailed Profit and Loss Account.

Notes to Detailed Profit and Loss Account.

SILVERTECH LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 JANUARY 2002

The Directors present their annual report, together with the audited financial statements of the Company for the year ended 31 January 2002.

PRINCIPAL ACTIVITIES, BUSINESS REVIEW AND FUTURE PROSPECTS

The principal activities of the Company are the design and supply of process control and safety systems.

The year was significant for the capture of the Pegaso project from Petrobras; the team led by Gordon Elliott had to spend extensive time in Brazil, which is a new territory for Silverttech. In order to secure our position in Brazil the Group has established a new subsidiary in Brazil – Silverttech do Brasil Ltda, with offices in Rio and Macae. This is now in the early stages of establishing itself and bidding for projects in its own name.

The financial year 2002/2003 has opened with the company having a reasonably strong order book. There appears to be a delay in orders, however it is hoped that this is merely a temporary phenomenon and recovery back to budgeted levels can be achieved in the third and fourth quarter. The company has a large number of bids under evaluation.

DIRECTORS AND THEIR INTERESTS

The Directors of the Company during the year and the interests of Directors at the year end in the share capital of the Company were as follows:

| | Number of Ordinary Shares of 10 pence each <u>31. 01. 02</u> | Number of Ordinary Shares of 10 pence each <u>31. 01. 01</u> |
|---|--|--|
| G. P. Elliott, | - | - |
| W.J. Quinn, | - | - |
| K.G.L. Simpson, | - | - |
| M. C. Goodman, (Resigned 31 January 2002) | - | - |
| S. Blair | - | - |
| J. Sutcliffe (Resigned 04 July 2001) | - | - |
| R.A.K. Waterhouse | - | - |

The interests of G.P. Elliott, W.J. Quinn, K.G.L. Simpson, and R.A.K. Waterhouse in Silverttech International plc, the parent company, are shown in that Company's directors' report.

Mr S Blair has been granted options over 28,000 ordinary shares, in the parent company Silverttech plc, which can be exercised at a price of £1.4297 per share during 2008.

DIRECTORS' INTEREST IN CONTRACTS

None of the Directors had a material interest in any contract of significance to which the Company or Group was a party during the year.

SILVERTECH LIMITED

DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

EMPLOYEES

It is Company policy to give full consideration to the suitability for employment of disabled persons. Opportunities also exist for employees of the Company who become disabled to continue in their employment or be trained for other positions in the Company. The Company also recognises the need to provide information on matters of concern to employees and to satisfy that need, the Company provides employees with published financial and economic information through its consultative procedures.

PAYMENT POLICY

It is the general policy of the Company to develop long-term relationships with suppliers, which includes making payments consistent with established practices agreed with suppliers. In the event of disputes, efforts are made to resolve them quickly. The Company had 52 days (2001 – 56 days) purchases outstanding at 31 January 2002, based on the average daily amount invoiced by suppliers during the year.

DIRECTORS RESPONSIBILITIES

United Kingdom company law requires the Directors to prepare accounts for each financial year, which give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period. In preparing these accounts the Directors are required to:

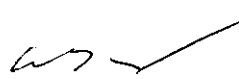
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether applicable accounting standards have been followed.

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 accounts comply with the Companies Act 1985. They 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 proposing the reappointment of Deloitte & Touche as auditors of the Company will be put to the Annual General Meeting.

By Order of the Board


A.J. Sanger,
Secretary


Date:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERTECH LIMITED

We have audited the financial statements of Silvertech Limited for the year ended 31 January 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 18. These financial statements have been prepared under accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements, in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 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 the directors' report for the above period as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements.

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 the 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.

UNCERTAINTY RELATING TO AMOUNTS RECOVERABLE ON CONTRACTS

In forming our opinion we have considered the adequacy of the disclosure made in note 10 to the accounts concerning the dispute that the Company is engaged in to recover expenditure on additional work and compensation for costs of delay, in respect of a major contract. Until the dispute is settled it is not possible to estimate with any reasonable accuracy the effects, if any, of the resolution of this uncertainty. Our opinion is not qualified in this respect

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

Global House

High Street

Crawley

West Sussex

RH10 1DL

5 July 2002

Date:

SILVERTECH LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JANUARY 2002

| | <u>Notes</u> | <u>2002</u> | <u>2001</u> |
|---|--------------|--------------|--------------|
| | | £ | £ |
| TURNOVER | 2 | 22,572,055 | 18,231,588 |
| COST OF SALES | | (16,929,956) | (13,986,510) |
| GROSS PROFIT | | 5,642,099 | 4,245,078 |
| Administrative expenses: | | | |
| General | | (4,484,496) | (4,865,323) |
| Exceptional refinancing costs | | - | (416,304) |
| | | 1,157,603 | (1,036,549) |
| Other operating income | | 7,808 | 61,121 |
| OPERATING PROFIT / (LOSS) | 3 | 1,165,411 | (975,428) |
| Interest payable and similar charges | 5 | (516,258) | (453,744) |
| PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 649,153 | (1,429,172) |
| Taxation | 6 | - | - |
| PROFIT / (LOSS) FOR THE YEAR TRANSFERRED TO RESERVES | | 649,153 | (1,429,172) |
| RETAINED LOSS BROUGHT FORWARD | | (2,230,625) | (801,453) |
| RETAINED LOSS CARRIED FORWARD | | (1,581,472) | (2,230,625) |

There were no gains or losses during the current or previous financial year other than those recognised in the profit and loss account.

All activities derive from continuing operations.

SILVERTECH LIMITED

BALANCE SHEET

AS AT 31 JANUARY 2002

| | Notes | £ | <u>2002</u> £ | £ | <u>2001</u> £ |
|---|-------|-------------------|-------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Intangible assets | 7 | - | - | - | - |
| Tangible assets | 8 | 290,276 | 290,276 | 467,937 | 467,937 |
| | | | <u>290,276</u> | <u>467,937</u> | |
| CURRENT ASSETS | | | | | |
| Stocks | 9 | 211,370 | 330,717 | 330,717 | |
| Debtors | 10 | 9,450,068 | 11,758,542 | 11,758,542 | |
| Cash at bank and in hand | | 1,343,907 | 636,972 | 636,972 | |
| | | <u>11,005,345</u> | <u>12,726,231</u> | | |
| CREDITORS - amounts falling due within one year | 11 | <u>10,225,882</u> | <u>12,753,045</u> | | |
| NET CURRENT ASSETS / (LIABILITIES) | | | <u>779,463</u> | <u>(26,814)</u> | |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | <u>1,069,739</u> | <u>441,123</u> | |
| CREDITORS - amounts falling due after more than one year | 12 | 1,007,548 | 1,007,548 | 1,028,085 | 1,028,085 |
| NET ASSETS / (LIABILITIES) | | | <u>62,191</u> | <u>(586,962)</u> | |
| Financed by: | | | | | |
| CAPITAL AND RESERVES | | | | | |
| Called up share capital | 14 | 247,361 | 247,361 | 247,361 | 247,361 |
| Share premium account | | 1,321,302 | 1,321,302 | 1,321,302 | 1,321,302 |
| Capital redemption reserve | | 75,000 | 75,000 | 75,000 | 75,000 |
| Profit and loss account - (deficit) | | (1,581,472) | (1,581,472) | (2,230,625) | (2,230,625) |
| Equity shareholders' funds - (deficit) | 15 | <u>62,191</u> | <u>62,191</u> | <u>(586,962)</u> | <u>(586,962)</u> |

These accounts were approved by the Board of Directors on and signed on its behalf by:

R.A.K. Waterhouse, Chief Executive

Dated 27/6/2002

The notes on pages 6 to 16 form part of these financial statements.

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Turnover

Turnover, except for long-term contracts, represents the invoiced value of goods sold and services provided to third parties, net of value added or local sales tax. Long-term contracts are included in turnover on the basis of the sales value of work performed during the year by reference to the total sales value and stage of completion of these contracts.

1.3 Pension Scheme

The Company operates defined contribution pension schemes for its Directors and senior employees and the pension charge represents the amount payable by the Company to the funds in respect of the year. The assets of the schemes are held separately from those of the Company in independently administered funds.

1.4 Hire purchase contracts and leased assets

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives, or in the case of assets held under hire purchase agreements, over their economic useful life. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account using the straight-line method.

1.5 Depreciation of intangible assets

The Company's policy is to write off design rights evenly over the economic life of four years.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Provision is made for depreciation on all tangible assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

| | | |
|--------------------------|---|----------------------|
| Plant and test equipment | - | 15% on straight line |
| Computer equipment | - | 25% on straight line |
| Office equipment | - | 15% on straight line |
| Leasehold improvements | - | 25% on straight line |
| Motor vehicles | - | 25% on straight line |

1.7 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

1. ACCOUNTING POLICIES (continued)

1.8 Stocks and long-term contracts

Stock is valued at the lower of cost and net realisable value. Work in progress has been valued at cost of materials, labour and relevant overhead, less provisions, where necessary, to reduce cost to estimated net realisable value. Amounts recoverable on long-term contracts are included in debtors and are after deducting progress payments received. Where the outcome can be assessed with reasonable certainty, the amount shown includes a proportion of the estimated profits earned to date, such proportion having regard to the degree of completion on each contract. Where relevant, full provision is made for the estimated losses to completion.

1.9 Research and development

Research and development expenditure incurred during the year, less amounts recoverable from contracts, is charged to the profit and loss account.

1.10 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit / loss.

1.11 Deferred Taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 JANUARY 2002

2. TURNOVER

The turnover is wholly attributable to the principal activity of the Company.

2.1 Geographical analysis of turnover:

| | <u>2002</u> £ | <u>2001</u> £ |
|----------------|------------------------|------------------------|
| United Kingdom | 11,488,898 | 11,246,707 |
| Middle East | 4,047,131 | 4,083,739 |
| Other | 7,036,026 | 2,901,142 |
| | <hr/> 22,572,055 <hr/> | <hr/> 18,231,588 <hr/> |

3. OPERATING PROFIT / (LOSS)

This is stated after charging / (crediting):

| | <u>2002</u> £ | <u>2001</u> £ |
|--------------------------------------|------------------|------------------|
| Auditors' remuneration: | | |
| - audit | 24,000 | 20,000 |
| - other services | 18,000 | 10,000 |
| Depreciation | | |
| - owned assets | 212,780 | 163,597 |
| - leased assets | 31,113 | 85,107 |
| (Profit) on disposal of fixed assets | (385) | (103) |
| Operating leases : | | |
| - hire of plant and equipment | 30,284 | 123,317 |
| - land and buildings | 646,978 | 896,197 |
| Foreign currency exchange (gains) | (191,169) | (461,758) |
| | <hr/> <hr/> | <hr/> <hr/> |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

4. EMPLOYEE INFORMATION

| | <u>2002</u> | <u>2001</u> |
|--|-------------|-------------|
| | £ | £ |
| 4.1 Staff costs: | | |
| Wages and salaries | 5,247,616 | 4,849,784 |
| Social security costs | 532,316 | 500,133 |
| Other pension costs - defined contribution scheme | 199,807 | 165,769 |
| | <hr/> | <hr/> |
| | 5,979,739 | 5,515,686 |
| | <hr/> | <hr/> |
| 4.2 The average monthly number of employees during the year was made up as follows: | | |
| | No. | No. |
| Engineers | 127 | 135 |
| Administration | 51 | 45 |
| | <hr/> | <hr/> |
| | 178 | 180 |
| | <hr/> | <hr/> |
| 4.3 Directors' emoluments included in staff costs: | | |
| | £ | £ |
| Fees and salaries | 131,847 | 142,168 |
| Pension contributions | 3,709 | 3,863 |
| | <hr/> | <hr/> |
| | 135,556 | 146,031 |
| | <hr/> | <hr/> |

The Company makes payments to money purchase pension schemes on behalf of two directors.
(2001: two)

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

5. INTEREST PAYABLE AND SIMILAR CHARGES

| | <u>2002</u> £ | <u>2001</u> £ |
|---|------------------|------------------|
| On bank overdrafts repayable within 5 years, otherwise than by instalments | 409,695 | 351,000 |
| On loans repayable within 5 years by instalments | 106,563 | 102,744 |
| | <hr/> | <hr/> |
| | 516,258 | 453,744 |
| | <hr/> | <hr/> |

6. TAXATION

| | <u>2002</u> £ | <u>2001</u> £ |
|--|------------------|------------------|
| U.K. Corporation tax at 30% (2001: 30%) Current | - | - |
| | <hr/> | <hr/> |

The tax charge is disproportionate due to the group policy of not paying or charging for group relief, and the non-recognition of deferred tax assets. The company has losses of approximately £1.2 million (2001: £2.2m) available to be carried forward and set off against profits from the same trade, subject to agreement with the Inland Revenue.

The tax assessed for the year is lower than that resulting from applying the standard rate of corporation tax in the United Kingdom : 30% (2001: 30%).

The differences are explained below:

| | <u>2002</u> % | <u>2001</u> % |
|---|------------------|------------------|
| Standard tax rate for the period as a percentage of profits | 30 | 30 |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1.4 | (0.6) |
| Capital allowances in excess of depreciation | 11.2 | (5.2) |
| Utilisation of tax losses | (41.3) | (11.6) |
| Movement in short term timing differences | (0.9) | (0.4) |
| Group relief claimed and not paid | (0.4) | (12.2) |
| | <hr/> | <hr/> |
| Current tax rate for the year as a percentage of profits | - | - |
| | <hr/> | <hr/> |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

7. INTANGIBLE FIXED ASSETS

| | <u>Design Rights</u> £ |
|--|--------------------------------------|
| Cost: | |
| At 1 February 2001 and At 31 January 2002 | 14,000 |
| Amortisation: | |
| At 1 February 2001 and At 31 January 2002 | 14,000 |
| Net book value at 31 January 2002 | - |
| Net book value at 31 January 2001 | - |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

8. TANGIBLE FIXED ASSETS

| | <u>Plant, test and office equipment</u> £ | <u>Motor vehicles</u> £ | <u>Computer equipment</u> £ | <u>Leasehold Improve- ments</u> £ | <u>Total</u> £ |
|--------------------------------------|--|--------------------------------|------------------------------------|--|-------------------|
| Cost: | | | | | |
| At 1 February 2001 | 478,277 | 27,474 | 1,253,868 | 315,137 | 2,074,756 |
| Additions | 431 | - | 61,061 | 6,205 | 67,697 |
| Disposals | - | (21,624) | - | - | (21,624) |
| At 31 January 2002 | <u>478,708</u> | <u>5,850</u> | <u>1,314,929</u> | <u>321,342</u> | <u>2,120,829</u> |
| Depreciation: | | | | | |
| At 1 February 2001 | 331,357 | 25,624 | 1,085,363 | 164,475 | 1,606,819 |
| Charge for year | 48,618 | 385 | 115,298 | 79,592 | 243,893 |
| Disposals | - | (20,159) | - | - | (20,159) |
| At 31 January 2002 | <u>379,975</u> | <u>5,850</u> | <u>1,200,661</u> | <u>244,067</u> | <u>1,830,553</u> |
| Net book value at 31 January 2002 | <u>98,733</u> | <u>-</u> | <u>114,268</u> | <u>77,275</u> | <u>290,276</u> |
| Net book value at 31 January 2001 | <u>146,920</u> | <u>1,850</u> | <u>168,505</u> | <u>150,662</u> | <u>467,937</u> |

The figures above include assets held under finance lease and hire purchase contracts as follows:

| | <u>Computer equipment</u> £ | <u>Leasehold Improve- ments</u> £ | <u>Office equipment</u> £ |
|--------------------------------------|------------------------------------|--|----------------------------------|
| Cost | 69,436 | 8,179 | 78,143 |
| Accumulated Depreciation | <u>52,896</u> | <u>6,134</u> | <u>34,800</u> |
| Net book value | <u>16,540</u> | <u>2,045</u> | <u>43,343</u> |
| Depreciation charged during the year | <u>17,349</u> | <u>2,045</u> | <u>11,722</u> |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

| 9. | STOCKS | <u>2002</u> £ | <u>2001</u> £ |
|-----|---|-------------------|-------------------|
| | Raw materials | 211,370 | 330,717 |
| | | <u> </u> | <u> </u> |
| 10. | DEBTORS | <u>2001</u> £ | <u>2000</u> £ |
| | Trade debtors | 2,852,324 | 4,271,980 |
| | Amounts recoverable on contracts | 4,806,877 | 4,975,164 |
| | Other debtors | 60,596 | 181,842 |
| | Prepayments | 131,995 | 128,120 |
| | Amounts owed by Group undertakings - | | |
| | Silvertch Industrial Automation Limited | - | 718,860 |
| | Silvertch Systems Inc | 1,081,088 | 1,334,263 |
| | Silvertch Resources Sdn Bhd | - | 148,313 |
| | Silvertch do Brazil | 69,253 | - |
| | Silvertch (Middle East) Fzco | 447,935 | - |
| | | <u> </u> | <u> </u> |
| | | 9,450,068 | 11,758,542 |
| | | <u> </u> | <u> </u> |

The Company is in dispute, in respect of a major contract and has made claims of £2.5 million against the client for expenditure on additional work and to compensate for costs incurred because of delay. In the opinion of the Directors reasonable provision has been made for potential shortfall between the claims made and a final settlement. It is not possible to determine with reasonable accuracy the ultimate outcome of the settlement of the dispute at this time. The Company continues to rigorously pursue its claims.

| 11. | CREDITORS - amounts falling due within one year | <u>2002</u> £ | <u>2001</u> £ |
|-----|--|-------------------|-------------------|
| | Bank overdraft (secured) | 1,000,000 | 5,157,313 |
| | Corporation tax | 100,486 | 100,486 |
| | Obligations under finance leases and hire purchase (secured) | 21,534 | 80,065 |
| | Payments received on account | - | 116,384 |
| | Trade creditors | 2,051,471 | 3,095,765 |
| | Amounts owed to Parent undertakings | 4,053,552 | 2,379,913 |
| | Amount owed to Group undertakings - | | |
| | Silvertch Industrial Automation | 461,672 | - |
| | Social security and other taxes | 396,114 | 471,366 |
| | Other creditors | 2,141,053 | 1,351,753 |
| | | <u> </u> | <u> </u> |
| | | 10,225,882 | 12,753,045 |
| | | <u> </u> | <u> </u> |

The hire purchase contracts are secured on the assets concerned.

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

12. CREDITORS - amounts falling due after more than one year

| | <u>2002</u> £ | <u>2001</u> £ |
|--|------------------|------------------|
| Debenture loan (secured) | 1,000,000 | 1,000,000 |
| Obligations under finance leases and hire purchase (secured) | 7,548 | 28,085 |
| | <u>1,007,548</u> | <u>1,028,085</u> |

The Debenture Loan is repayable by 30 June 2003, or earlier if one of the following events occur; the Company is listed on the Stock exchange, control is lost by the existing shareholders or a substantial proportion of the net assets are sold. The Debenture Loan is secured by a fixed and floating charge on the Group's assets and bears interest at 4% above LIBOR.

The debenture loan falls due for payment as follows:

| | <u>2002</u> £ | <u>2001</u> £ |
|-------------------------------|------------------|------------------|
| Due between one and two years | 1,000,000 | - |
| Due between one and two years | - | 1,000,000 |
| | <u>1,000,000</u> | <u>1,000,000</u> |

Obligations under finance leases and hire purchase contracts

| | <u>2002</u> £ | <u>2001</u> £ |
|-------------------------------|------------------|------------------|
| Due within one year | 21,534 | 80,065 |
| Due between one and two years | 7,548 | 28,085 |
| | <u>29,082</u> | <u>108,150</u> |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

13. DEFERRED TAX

A deferred tax asset has not been recognised in respect of timing differences relating to tax losses as there is insufficient evidence that the asset will be recovered. The amount of this asset not recognised is approximately £390,000. The asset would be recovered if, in the future, taxable profits were to arise in the company.

14. SHARE CAPITAL

| | <u>2002</u> £ | <u>2001</u> £ |
|---|------------------|------------------|
| <u>Authorised</u> | | |
| 3,500,000 Ordinary shares of 10p each | 350,000 | 350,000 |
| | <hr/> | <hr/> |
| <u>Allotted, called up and fully paid</u> | | |
| 2,473,610 Ordinary shares of 10p each | 247,361 | 247,361 |
| | <hr/> | <hr/> |

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | <u>2002</u> £ | <u>2001</u> £ |
|------------------------------|------------------|------------------|
| At 1 February 2001 | (586,962) | 842,210 |
| Profit / (loss) for the year | 649,153 | (1,429,172) |
| | <hr/> | <hr/> |
| At 31 January 2002 | 62,191 | (586,962) |
| | <hr/> | <hr/> |

SILVERTECH LIMITED

NOTES TO THE ACCOUNTS (continued)

FOR THE YEAR ENDED 31 JANUARY 2002

16. LEASE COMMITMENTS

At 31 January 2002, the company had annual commitments under non-cancellable operating leases as set out below :

| | <u>2002</u> £ | <u>2001</u> £ |
|--|------------------|------------------|
| Expiring in next year | | |
| Land and buildings | 17,719 | - |
| Other operating leases | 24,727 | 48,339 |
| | <u>42,446</u> | <u>48,339</u> |
| Expiring between two and five years | | |
| Other operating leases | 70,388 | 92,307 |
| | <u>70,388</u> | <u>92,307</u> |
| Expiring after more than five years | | |
| Land and buildings (excluding service charges) | 605,438 | 605,438 |
| | <u>605,438</u> | <u>605,438</u> |

17. CONTINGENT LIABILITIES

Contingent liabilities exist in respect of guarantees provided by the Company in the ordinary course of business for contract performance and reliability, as follows:

| <u>2002</u> £ | <u>2001</u> £ |
|------------------|------------------|
| 1,222,200 | 1,087,717 |
| <u>1,222,200</u> | <u>1,087,717</u> |

Included in the above as at 31 January 2002 are cross guarantees between the Bank of Scotland Plc and Lloyds TSB Plc of £240,636.

18. RELATED PARTY DISCLOSURES

The Directors and two external members who control 100 per cent of shares in the Company's ultimate parent company, Silvertch International plc, control the Company. The latter is incorporated in England and Wales. As the Company is a wholly owned subsidiary undertaking it has taken advantage of the exemption from disclosing transactions with entities that are part of the Group. Copies of group accounts are available from the Registrar of Companies, Companies House, Crown Way, Cardiff, CF4 3UZ.