

REDACELL LIMITED**THE DIRECTORS' REPORT****Year ended 31st December 1999**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st December 1999.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the holding of shares in subsidiary undertakings.

The company did not trade during the year, merely operating as the holding company.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year were as follows:

Mr W J R White
Mr P E J White
Mrs J White

The whole of the issued capital of Redacell Limited is owned by trustees of a settlement for the benefit of the family of P E J White.

Mr W J R White, Mr P E J White and Mrs J White had the following interests in group company shares by virtue of them being potential beneficiaries of the trust holding those shares:

	1999	1998
	£	£
Redacell Limited	90	90
Rotadex Systems Limited:		
Ordinary shares	10,500	10,500
'B' shares	2,000	2,000
Rotadex Engineering Limited	11,200	11,200
Rotadex Press Limited	500	500

None of the other directors of the company serving at the end of the year had any interest in the shares of the companies at any time during the year.

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.

REDACELL LIMITED

THE DIRECTORS' REPORT *(continued)*

Year ended 31st December 1999

DIRECTORS' RESPONSIBILITIES *(continued)*

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, 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 Cotterell & Co as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

On behalf of the Board

William T.D. White

W J R WHITE

Director

.....26.10.2000

REDACELL LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

Year ended 31st December 1999

We have audited the financial statements on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on pages 1 to 2, the company's directors are responsible for the preparation of the 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 as at 31st December 1999 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



GOTTRELL & CO
Chartered Accountants
& Registered Auditors
WOLVERHAMPTON

.....26.10.2000.

REDACELL LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31st December 1999

	Note	1999 £	1998 £
TURNOVER	2	-	-
Administrative expenses		(9)	(88)
OPERATING LOSS	3	<u>(9)</u>	<u>(88)</u>
Interest receivable		156	64
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>147</u>	<u>(24)</u>
Tax on profit/(loss) on ordinary activities	5	(30)	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		<u>117</u>	<u>(24)</u>
Balance brought forward		94	118
Balance carried forward		<u>211</u>	<u>94</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

The notes on pages 7 to 12 form part of these financial statements.

REDACELL LIMITED

BALANCE SHEET

31st December 1999

	Note	1999 £	£	1998 £	£
FIXED ASSETS					
Investments	6		114,120		114,120
CURRENT ASSETS					
Debtors	7	3,374		3,005	
Cash at bank		-		247	
		<u>3,374</u>		<u>3,252</u>	
CREDITORS: Amounts falling due within one year	8	<u>(115,521)</u>		<u>(115,516)</u>	
NET CURRENT LIABILITIES			(112,147)		(112,264)
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,973</u>		<u>1,856</u>
CAPITAL AND RESERVES					
Called-up equity share capital	10		90		90
Share premium account			1,672		1,672
Profit and loss account			211		94
SHAREHOLDERS' FUNDS	11		<u>1,973</u>		<u>1,856</u>

These financial statements were approved by the directors on 26.10.....2000...., and are signed on their behalf by:

William T R White

W J R WHITE

Director

The notes on pages 7 to 12 form part of these financial statements.

REDACELL LIMITED

CASH FLOW STATEMENT

Year ended 31st December 1999

	1999 £	£	1998 £	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(403)		(18,046)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	156		64	
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		156		64
DECREASE IN CASH		<u>(247)</u>		<u>(17,982)</u>

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	1999 £	1998 £
Operating loss	(9)	(88)
Increase in debtors	(369)	(3,005)
Decrease in creditors	(25)	(14,953)
Net cash outflow from operating activities	<u>(403)</u>	<u>(18,046)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1999 £	1998 £
Decrease in cash in the period	(247)	(17,982)
Movement in net funds in the period	(247)	(17,982)
Net funds at 1st January 1999	<u>247</u>	<u>18,229</u>
Net funds at 31st December 1999	<u>-</u>	<u>247</u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 1999 £	Cash flows £	At 31 Dec 1999 £
Net cash:			
Cash in hand and at bank	247	(247)	-
Net funds	<u>247</u>	<u>(247)</u>	<u>-</u>

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

1. ACCOUNTING POLICIES

Basis of accounting

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

Consolidation

In the opinion of the directors, the company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

Fixed asset investments

Fixed asset investments in subsidiary undertakings are stated at their original cost less any permanent diminution in value.

2. TURNOVER

There was no turnover during the year.

3. OPERATING LOSS

Operating loss is stated after charging:

	1999 £	1998 £
Directors' emoluments	-	-
Auditors' remuneration		
- as auditors	-	-
	<u> </u>	<u> </u>

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	1999 No.	1998 No.
Number of management staff	3	3
	<u> </u>	<u> </u>

No salaries or wages have been paid to employees, including the directors, during the year.

5. TAX ON PROFIT OR LOSS ON ORDINARY ACTIVITIES

	1999 £	1998 £
Corporation tax based on the results for the year at 20.25% (1998 - 21%)	30	-
	<u> </u>	<u> </u>

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

6. INVESTMENTS

	Total £
COST	
At 1st January 1999 and 31st December 1999	<u>114,120</u>
NET BOOK VALUE	
At 31st December 1999	<u>114,120</u>
At 31st December 1998	<u>114,120</u>

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

6. INVESTMENTS *(continued)*

Under a deed of gift dated 17 March 1986 Redacell Limited acquired an 82.7% holding in Rotadex Systems Limited, a 72.2% holding in Rotadex Engineering Limited and a 66.2% holding in Rotadex Press Limited.

Under the terms of this deed, Redacell Limited was liable to pay the Capital Transfer tax arising on the gift. The amount paid, which has been agreed with the Inland Revenue at £12,819, is shown as the cost of investment in subsidiary undertakings.

	1999 £	1998 £
Cost of shares above under deed of gift	12,819	12,819
Cost of 1300 'A' ordinary shares in Rotadex Engineering Limited - 30 March 1993 (a further 2.89% holding)	1,300	1,300
Cost of 100 ordinary shares of £1 each and 100 'A' ordinary shares of £1 each in Rotadex Industries Limited - 1 October 1993(100% holding)	100,000	100,000
Cost of 1 ordinary share of £1 in Whitehead Letterfiles Limited - 19 April 1995(100% holding)	1	1
	<u>114,120</u>	<u>114,120</u>

Details of subsidiaries

Rotadex Systems Limited:

Registered in England; principal activity that of manufacture of filing systems.

Rotadex Engineering Limited:

Registered in England; The companies trade together with its assets and liabilities (other than inter company indebtedness) were transferred to Rotadex Industries Limited during 1998 and the company did not subsequently trade

Rotadex Industries Limited:

Registered in England; principal activity that of equipment manufacture and precision engineering.

Whitehead Letterfiles Limited:

Registered in England; the company did not trade during the year.

Rotadex Press Limited:

Registered in England; the company did not trade during the year.

The group is a medium sized group, but has taken advantage of exemptions provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

	1999 £	1998 £
The profit/(loss) for the year in respect of each of the above companies was:		
Rotadex Systems Limited	(13,876)	28,115
Rotadex Industries Limited	<u>4,442</u>	<u>69,405</u>
Rotadex Engineering Limited did not trade		
Whitehead Letterfiles Limited did not trade.		
Rotadex Press Limited did not trade.		

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

6. INVESTMENTS *(continued)*

The aggregate capital and reserves in respect of each of the above companies was:

	1999	1998
	£	£
Rotadex Systems Limited	444,381	458,257
Rotadex Engineering Limited	291,403	291,403
Rotadex Industries Limited	100,951	96,509
Whitehead Letterfiles Limited	1	1

Rotadex Press Limited showed a nil balance for both years.

7. DEBTORS

	1999	1998
	£	£
Amounts owed by group undertakings	3,374	3,001
VAT recoverable	-	4
	<u>3,374</u>	<u>3,005</u>

8. CREDITORS: Amounts falling due within one year

	1999	1998
	£	£
Amounts owed to group undertakings	115,491	115,491
Other creditors including taxation and social security:		
Corporation tax	30	-
Accruals and deferred income	-	25
	<u>115,521</u>	<u>115,516</u>

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

9. RELATED PARTY TRANSACTIONS

During the year the following transactions were undertaken with other related party companies. The balances outstanding at the end of the year are also shown below:

	1999 £	1998 £
Rotadex Systems Limited Limited (Subsidiary company)		
Balance due from Rotadex Systems Limited	<u>3,374</u>	<u>3,001</u>
Rotadex Engineering Limited (Subsidiary company)		
Balance due to Rotadex Engineering Limited	<u>(115,491)</u>	<u>(115,491)</u>
Intra-group balances and trading not reflected above		
Rotadex Systems Limited with:		
Rotadex Engineering Limited (Fellow subsidiary)		
Balance due to Rotadex Engineering Limited	<u>(63,404)</u>	<u>(63,406)</u>
Rotadex Industries Limited (Fellow subsidiary)		
Balance due due to Rotadex Industries Limited	<u>(203,418)</u>	<u>(162,166)</u>
Management charge receivable	45,000	34,000
Purchases for re-sale	<u>(619,237)</u>	<u>(696,861)</u>
Trustees of Settlement		
Indebtedness to trustees	<u>(179,167)</u>	<u>(229,167)</u>
Loan interest payable	<u>(15,607)</u>	<u>(23,857)</u>
Rotadex Industries Limited with:		
Rotadex Systems Limited (Fellow subsidiary)		
Management charge payable	<u>(45,000)</u>	<u>(34,000)</u>
Sale of manufactured items	619,237	696,861
Balance due from Rotadex Systems Limited	<u>203,298</u>	<u>162,166</u>
Rotadex Engineering Limited (fellow subsidiary)		
Balance due to Rotadex Engineering Limited	<u>(112,507)</u>	<u>(112,507)</u>
Rotadex Engineering Limited with:		
Rotadex Systems Limited (Fellow subsidiary)		
Balance due from Rotadex Systems Limited	<u>(63,404)</u>	<u>(63,404)</u>

REDACELL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 1999

9. RELATED PARTY TRANSACTIONS *(continued)*

	1999 £	1998 £
Rotadex Industries Limited (Fellow subsidiary)		
Balance due from Rotadex Industries Limited	<u>112,507</u>	<u>112,507</u>

The whole of the issued share capital of Redacell Limited is owned by trustees of a settlement for the benefit of the family of P E J White.

All of the above transactions were undertaken at arms length on normal commercial terms unless otherwise stated.

10. SHARE CAPITAL

Authorised share capital:

	1999 £	1998 £
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	1999 £	1998 £
Ordinary share capital	<u>90</u>	<u>90</u>

11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999 £	1998 £
Profit/(Loss) for the financial year	117	(24)
Opening shareholders' equity funds	<u>1,856</u>	<u>1,880</u>
Closing shareholders' equity funds	<u>1,973</u>	<u>1,856</u>

REDACELL LIMITED

MANAGEMENT INFORMATION

Year ended 31st December 1999

**The following pages do not form part of the statutory financial statements
which are the subject of the auditors' report on page 3.**

REDACELL LIMITED

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31st December 1999

	1999 £	1998 £
OVERHEADS		
Administrative expenses	<u>9</u>	<u>88</u>
OPERATING LOSS	<u>(9)</u>	<u>(88)</u>
Bank interest receivable	<u>156</u>	<u>64</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES	<u>147</u>	<u>(24)</u>

REDACELL LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31st December 1999

	1999 £	1998 £
ADMINISTRATIVE EXPENSES		
Sundry expenses	-	60
Bank charges	9	28
	<u>9</u>	<u>88</u>