

I B S VIRIDIAN LIMITED
FINANCIAL STATEMENTS
31ST DECEMBER 1998

Company Registration Number 02354085

LAKIN CLARK
Chartered Accountants & Registered Auditors
1 Union Crescent
Margate
Kent
CT9 1NR



I B S VIRIDIAN LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

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I B S VIRIDIAN LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 1998

The directors present their report and the financial statements of the company for the year ended 31st December 1998.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the research, development and sale of biotechnologically based industrial waste treatments.

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 £0.10 each	
	At 1998	At 1997
P Adams	-	-
Dr.C C Burton	-	-
A A Haslimann	-	-
Dr.A K Sharman	-	-
	<hr/>	<hr/>

A A Haslimann owns 34.76% of the issued share capital of the ultimate holding company.

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 page 6, 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 Lakin Clark as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

I B S VIRIDIAN LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 1998

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.

Registered office:
114/116 John Wilson Business Park
Thanet Way
Whitstable
Kent
CT5 3QT

Signed by order of the directors



DR. A K SHARMAN
Company Secretary

Approved by the directors on 25 May 1999

I B S VIRIDIAN LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31ST DECEMBER 1998

We have audited the financial statements on pages 4 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 1, 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 except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because an adequate breakdown of opening balances at 1 January 1998 was not obtainable. The company was unable to trace all necessary accounting records for the previous year following a change in location and staffing of their administration department and a breakdown of the balances was not available from any other source. No satisfactory audit procedures could therefore be adopted to provide adequate audit evidence regarding the opening balances. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


QUALIFIED OPINION ARISING FROM LIMITATION IN AUDIT SCOPE

Except for any adjustments that may have been found to be necessary had we been able to obtain sufficient evidence regarding the opening balances, in our opinion the financial statements give a true and fair view of the company's affairs at 31 December 1998 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation of our work relating to opening balances we were unable to determine whether proper accounting records had been maintained and we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

I Union Crescent
Margate
Kent
CT9 1NR

25 May 1999


LAKIN CLARK
Chartered Accountants
& Registered Auditors

I B S VIRIDIAN LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 1998

	Note	1998 £	1997 £
TURNOVER		788,304	550,786
Cost of sales		533,164	357,343
GROSS PROFIT		255,140	193,443
Administrative expenses		326,474	283,748
OPERATING LOSS	2	(71,334)	(90,305)
Interest receivable		-	(174)
Interest payable		(850)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(72,184)	(90,479)
Tax on loss on ordinary activities		-	989
LOSS FOR THE FINANCIAL YEAR		(72,184)	(91,468)

I B S VIRIDIAN LIMITED**BALANCE SHEET****31ST DECEMBER 1998**

	Note	1998	1997
		£	£
FIXED ASSETS			
Intangible assets	3	16,701	33,082
Tangible assets	4	117,468	139,731
		<u>134,169</u>	<u>172,813</u>
CURRENT ASSETS			
Stocks		45,354	-
Debtors	5	277,150	228,461
Cash at bank and in hand		9,691	5,394
		<u>332,195</u>	<u>233,855</u>
CREDITORS: Amounts falling due within one year	6	<u>341,051</u>	<u>213,268</u>
NET CURRENT (LIABILITIES)/ASSETS		(8,856)	20,587
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>125,313</u>	<u>193,400</u>
CREDITORS: Amounts falling due after more than one year	7	(4,097)	-
NET ASSETS		<u>121,216</u>	<u>193,400</u>
CAPITAL AND RESERVES			
Called-up equity share capital	8	92,600	92,600
Share premium account		398,560	398,560
Revaluation reserve	9	71,815	80,792
Profit and loss account	10	(441,759)	(378,552)
SHAREHOLDERS' FUNDS		<u>121,216</u>	<u>193,400</u>

These accounts 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.

These financial statements were approved by the directors on the 25 May 1999, and are signed on their behalf by:



A A Haslimann
Director

I B S VIRIDIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with the Financial Reporting Standard for Smaller Entities.

Turnover

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

Amortisation

Amortisation 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:

Research and development - 3 years in equal instalments

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:

Leasehold Property - over the length of the lease in equal instalments
 Plant & Machinery - 3 to 6 years in equal instalments
 Fixtures & Fittings - 3 to 5 years in equal instalments

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.

Going concern

These financial statements have been prepared on a going concern basis due to significant additional support received from group companies since the year end.

2. OPERATING LOSS

Operating loss is stated after charging:

	1998 £	1997 £
Directors' emoluments	62,000	-
Amortisation	16,381	32,442
Depreciation	33,189	53,558
Auditors' fees	5,000	5,500

I B S VIRIDIAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1998****3. INTANGIBLE FIXED ASSETS**

	Research and development £
COST	
At 1st January 1998 and 31st December 1998	<u>49,462</u>
AMORTISATION	
At 1st January 1998	16,380
Charge for the year	<u>16,381</u>
At 31st December 1998	<u>32,761</u>
NET BOOK VALUE	
At 31st December 1998	<u>16,701</u>
At 31st December 1997	<u>33,082</u>

4. TANGIBLE FIXED ASSETS

	Leasehold Improvements £	Lab. furnishings & equipment £	Office furniture & equipment £	Total £
COST OR VALUATION				
At 1st January 1998	24,838	450,708	44,966	520,512
Additions	-	-	10,926	10,926
At 31st December 1998	<u>24,838</u>	<u>450,708</u>	<u>55,892</u>	<u>531,438</u>
DEPRECIATION				
At 1st January 1998	12,908	331,930	35,943	380,781
Charge for the year	917	22,425	9,847	33,189
At 31st December 1998	<u>13,825</u>	<u>354,355</u>	<u>45,790</u>	<u>413,970</u>
NET BOOK VALUE				
At 31st December 1998	<u>11,013</u>	<u>96,353</u>	<u>10,102</u>	<u>117,468</u>
At 31st December 1997	<u>11,930</u>	<u>118,778</u>	<u>9,023</u>	<u>139,731</u>

Hire purchase agreements

Included within the net book value of £117,468 is £7,284 (1997 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £1,925 (1997 - £Nil).

I B S VIRIDIAN LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1998

5. DEBTORS

	1998 £	1997 £
Trade debtors	202,493	82,244
Other debtors	63,723	53,112
Prepayments and accrued income	10,934	93,105
	<u>277,150</u>	<u>228,461</u>

6. CREDITORS: Amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	1,271	-
Trade creditors	170,751	94,337
Other taxation and social security	35,977	8,059
VAT	16,763	3,002
Hire purchase agreements	3,278	-
Due to parent undertaking	-	41,633
Accruals and deferred income	113,011	66,237
	<u>341,051</u>	<u>213,268</u>

7. CREDITORS: Amounts falling due after more than one year

	1998 £	1997 £
Hire purchase agreements	<u>4,097</u>	<u>-</u>

8. SHARE CAPITAL

Authorised share capital:

	1998 £	1997 £
1,286,670 Ordinary shares of £0.10 each	<u>128,667</u>	<u>128,667</u>

Allotted, called up and fully paid:

	1998 £	1997 £
Ordinary share capital	<u>92,600</u>	<u>92,600</u>

I B S VIRIDIAN LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1998****9. REVALUATION RESERVE**

	1998 £	1997 £
Balance brought forward	80,792	89,769
Transfer to the profit and loss account on realisation	(8,977)	(8,977)
	<u>71,815</u>	<u>80,792</u>

10. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Balance brought forward	(378,552)	(296,061)
Retained loss for the financial year	(72,184)	(91,468)
Transfer from revaluation reserve	8,977	8,977
Balance carried forward	<u>(441,759)</u>	<u>(378,552)</u>

11. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is IBS UK Ltd.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is International Bioremediation Services Inc, which is incorporated in Canada. Copies of its group accounts, which include IBS Viridian Limited, are available from PO Box 10422, Pacific Centre, Suite 1120-777, Dunsmuir Street, Vancouver B.C. Canada V7Y 1K4.

12. RELATED PARTIES

The company has taken advantage of exemptions within Financial Reporting Standard 8, not to disclose transactions with entities within the group of companies of which IBS Viridian Limited belongs, as 90% or more of the voting rights of IBS Viridian Limited are controlled within the group, and the results are included within consolidated financial statements that are publicly available.