

Directors:
P R G Howarth
E G Bugler

Secretary and Registered Office:
J R Cornacchia, Unit 18, Crawley Mill Industrial Estate, Witney, Oxon., OX8 5TJ

**REPORT OF THE DIRECTORS
for the year ended 31st December 1999**

Principal Activity

The principal activity of the company is that of non destructive testing.

Directors

The above named served as directors throughout the year and their shareholdings during the year have been as follows:

	Ordinary shares of £1 each	
	31st December 1999	31st December 1998
P R G Howarth	49	49
E G Bugler	49	49

Directors Responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 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 J Carter & Co, Chartered Accountants and Registered Auditors, have indicated their willingness to be reappointed under Section 384 of the Companies Act 1985.

The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board


Director

Crawley, Witney
5th December 2000



AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1, 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.

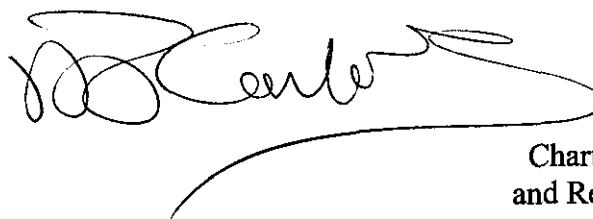
BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on 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 its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'A J Carter & Co', with a long, sweeping underline that extends to the right.

Chartered Accountants
and Registered Auditors

A J Carter & Co
22b High Street
WITNEY
Oxon
OX8 6HB

5th December 2000

NON DESTRUCTIVE INSPECTION SERVICES LIMITED

3.

**PROFIT AND LOSS ACCOUNT
for the year ended 31st December 1999**

Notes	£	1998 £
2. TURNOVER	636,074	693,368
Cost of sales	<u>477,376</u>	<u>477,482</u>
GROSS PROFIT	158,698	215,886
Administrative expenses	<u>178,736</u>	<u>175,473</u>
3. OPERATING (LOSS)/PROFIT	(20,038)	40,413
4. Other income	4,291	1,321
5. Interest payable	<u>(19,441)</u>	<u>(11,600)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	(35,188)	30,134
6. TAXATION	<u>4,932</u>	<u>(7,570)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(30,256)	22,564
DIVIDENDS PAID	<u>(45,000)</u>	<u>(22,600)</u>
EXCESS DISTRIBUTION for the year	(75,256)	(36)
RETAINED PROFIT brought forward	<u>110,514</u>	<u>110,550</u>
RETAINED PROFIT carried forward	<u>£35,258</u>	<u>£110,514</u>

There were no recognised gains or losses other than those included in the profit and loss account.

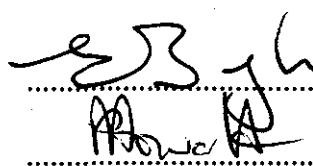
The notes on pages 5 to 9 form part of these financial statements.

NON DESTRUCTIVE INSPECTION SERVICES LIMITED

4.

BALANCE SHEET		31st December 1999		1998
Notes		£	£	£
	FIXED ASSETS			
7.	Tangible assets		223,818	246,458
8.	Investments		<u>200,000</u>	<u>-</u>
			423,818	<u>246,458</u>
	CURRENT ASSETS			
	Bank and cash balances	2,267		18,541
9.	Debtors and prepayments	<u>126,463</u>		<u>79,067</u>
		128,730		97,608
10.	CREDITORS - Amounts falling due within one year	<u>381,178</u>		<u>123,456</u>
	NET CURRENT LIABILITIES		(252,448)	(25,848)
	TOTAL ASSETS LESS CURRENT LIABILITIES		171,370	220,610
11.	CREDITORS - Amounts falling due after more than one year		(136,012)	(109,077)
	PROVISIONS FOR LIABILITIES AND CHARGES			
6.	Deferred taxation		-	(919)
			<u>£35,358</u>	<u>£110,614</u>
	CAPITAL AND RESERVES			
12.	Called up share capital		100	100
	Profit and loss account		<u>35,258</u>	<u>110,514</u>
	Shareholders' funds		<u>£35,358</u>	<u>£110,614</u>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 2000).


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Directors

Approved by the Board

5th December 2000

The notes on pages 5 to 9 form part of these financial statements.

NON DESTRUCTIVE INSPECTION SERVICES LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31st December 1999

5.

1. Accounting Policies

i) Accounting Convention -

The accounts of the company are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors' report and which is continuing. The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

ii) Depreciation -

Depreciation of tangible fixed assets is provided on a straight line basis, calculated at annual rates estimated to write off each asset over the term of its useful life. The rates in use are as follows:

Motor vehicles	- 25% per annum
Plant and equipment	- 20% per annum
Office equipment	- 33 $\frac{1}{3}$ % per annum

iii) Work in Progress -

Work in progress is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads, according to the stage of completion reached.

iv) Deferred Taxation -

The company provides deferred taxation at the rate of 20% under the liability method on a full provision basis to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for corporation tax purposes. The major timing difference involved is the excess of capital allowances claimed over the charge for depreciation on the relevant assets.

v) Pension Contributions -

The company operates a defined contribution pension scheme for the directors and the pension charge represents the amounts payable by the company to the fund in respect of the year.

NOTES TO THE ACCOUNTS
for the year ended 31st December 1999 (continued)

1. **Accounting Policies (continued)**

vi) **Hire Purchase**

Assets acquired under hire purchase contracts are capitalised as fixed assets and depreciated accordingly. The related obligations are included in creditors net of finance charges. The finance charges are included in the profit and loss account on the straight line basis over the length of the agreement.

vii) **Turnover -**

The turnover represents sales and charges for work done exclusive of VAT for goods and services supplied to customers during the year.

2. **Turnover**

The turnover and profit before taxation is attributable to the one principal activity of the company. The turnover all arose from the United Kingdom.

3. **Operating (Loss)/Profit**

The operating (loss)/profit is after charging:	1999 £	1998 £
Depreciation of tangible fixed assets		
- owned	30,548	34,303
- under hire purchase agreements	944	2,850
Loss on disposal of tangible fixed assets	-	2,097
Directors' remuneration	83,360	78,053
Auditors' remuneration	2,300	2,150
Directors pension contributions	15,000	12,120
Hire purchase charges	593	1,052
Equipment hire	1,462	3,410

4. **Other Income**

	1999 £	1998 £
Rental income	4,000	1,000
Interest received	15	321
Dividend received	<u>276</u>	<u>-</u>
	<u>£4,291</u>	<u>£1,321</u>

5. **Interest Payable**

	1999 £	1998 £
Bank overdraft	880	522
Bank loans	13,003	8,276
Other loan interest	1,818	1,123
Overdue tax	-	1,679
Factoring interest	<u>3,740</u>	<u>-</u>
	<u>£19,441</u>	<u>£11,600</u>

NON DESTRUCTIVE INSPECTION SERVICES LIMITED
NOTES TO THE ACCOUNTS
for the year ended 31st December 1999 (continued)

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6. Taxation	1999	1998
	£	£
a) Credit/(charge) for the year		
Corporation tax - current year	4,041	(8,735)
Deferred tax	919	1,165
Tax on dividend received	<u>(28)</u>	<u>-</u>
	<u>£4,932</u>	<u>£(7,570)</u>
b) Corporation tax has been provided for at a rate of 21% (1998 21%) based on the results for the year.		
c) Deferred tax		
	1999	1998
	£	£
Brought forward	919	2,084
Credit for the year	<u>(919)</u>	<u>(1,165)</u>
Carried forward	<u>£ -</u>	<u>£919</u>

7. Tangible Fixed Assets

	Freehold Property	Improvements to Leasehold	Motor Vehicles	Equipment	Office Equipment	Total
Cost	£	£	£	£	£	£
At 1.1.99	145,722	22,540	22,282	135,328	20,329	346,201
Additions	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,483</u>	<u>1,369</u>	<u>8,852</u>
At 31.12.99	<u>145,722</u>	<u>22,540</u>	<u>22,282</u>	<u>142,811</u>	<u>21,698</u>	<u>355,053</u>

Accumulated Depreciation

At 1.1.99	-	-	7,026	79,435	13,282	99,743
Charge for the year	<u>-</u>	<u>-</u>	<u>5,571</u>	<u>20,965</u>	<u>4,956</u>	<u>31,492</u>
At 31.12.99	<u>-</u>	<u>-</u>	<u>12,597</u>	<u>100,400</u>	<u>18,238</u>	<u>131,235</u>

Net Book Value

At 31.12.99	<u>£145,722</u>	<u>£22,540</u>	<u>£9,685</u>	<u>£42,411</u>	<u>£3,460</u>	<u>£223,818</u>
At 31.12.98	<u>£145,722</u>	<u>£22,540</u>	<u>£15,256</u>	<u>£55,893</u>	<u>£7,047</u>	<u>£246,458</u>

Included in the above net book values are the following amounts relating to assets held under hire purchase agreements:

Motor vehicles £1,887

NON DESTRUCTIVE INSPECTION SERVICES LIMITED

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NOTES TO THE ACCOUNTS
for the year ended 31st December 1999 (continued)

8. Investments

During the year the company acquired 100% of the issued share capital of Quest Inspection Limited, a company registered in England. The shares held are as follows:

	Nominal £	Proportion of class %	Cost £
31.3.1999			
2125 Ordinary shares of £1 each	2,125	100	200,000

Group accounts are not required as the group qualifies for exemption under Section 248 Companies Act 1985 as a small sized group.

Quest Inspection Limited made a profit of £855 for the period from 1st April 1999 to 31st December 1999. At 31st December 1999 the shareholders' funds were £136,043.

9. Debtors and Prepayments

	1999 £	1998 £
Trade debtors	106,962	71,580
Prepayments	10,210	7,487
Corporation tax	<u>9,291</u>	<u>-</u>
	<u>£126,463</u>	<u>£79,067</u>

10. Creditors: Amounts falling due within one year

	1999 £	1998 £
Trade creditors	69,457	26,804
Hire purchase (secured)	1,146	3,041
Bank overdraft (secured)	1,421	-
Corporation tax	-	3,085
Directors' current accounts	5,694	3,963
Social Security and other taxes	50,442	70,256
Accruals	5,912	2,807
Bank loans (secured)	9,500	8,000
Pension fund loan (secured)	10,982	5,500
Loan from subsidiary	122,401	-
Other loans	20,000	-
Factoring account	<u>84,223</u>	<u>-</u>
	<u>£381,178</u>	<u>£123,456</u>

NOTES TO THE ACCOUNTS
for the year ended 31st December 1999 (continued)

11.	Creditors: Amounts falling due after more than one year	1999 £	1998 £
	Repayable by instalments		
	Hire purchase (secured)	-	1,146
	Bank loan (secured)	98,512	107,931
	Repayable other than by instalments		
	Loan from pension fund (secured)	<u>37,500</u>	<u>-</u>
		<u>£136,012</u>	<u>£109,077</u>

12.	Called up Share Capital	1999	1998
		£	£
	Authorised:		
	100 Ordinary shares of £1 each	100	100
	Allotted, Issued and Fully paid:		
	100 Ordinary shares of £1 each	100	100

13. **Other Commitments**

At 31st December 1998 the company had annual commitments under non cancellable operating leases as follows:

Land and buildings	1999	1998
Between two and five years	<u>£19,640</u>	<u>£19,452</u>