

ROTADYNE (UK) LIMITED

Report and Accounts

31 December 1999

 ERNST & YOUNG



Rotadyne (UK) Limited

Registered No. 2739202

DIRECTORS

E Nykiel

G Fill

SECRETARY

G Fill

REGISTERED OFFICE

Unit 3

Linnell Way

Telford Industrial Estate

Kettering

Northamptonshire

NN16 8PS

 **ERNST & YOUNG**

Rotadyne (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The loss for the year, after taxation amounts to £995,000 (1998 - £414,000). The directors do not recommend the payment of a dividend (1998 - £Nil). This loss is therefore transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company is the manufacture of rollers for the graphic arts and other industries.

Although sales and operating profits in 1999 were disappointing, Rotadyne remains committed to the roller business in the UK.

Sales have not increased as anticipated primarily due to the loss of a major customer. However, the ReadyRoller business is slowly developing and should help contribute to the company's future profitability.

POST BALANCE SHEET EVENTS

Since the balance sheet date the directors have taken a decision to close the Birmingham site and concentrate operations at the Kettering site. The total costs associated with this closure are estimated at approximately £100,000 which will be incurred during the year ending 31 December 2000.

DIRECTORS AND THEIR INTERESTS

The directors who held office during the year are listed on page 2.

No director holding office at 31 December 1999 had any beneficial interest in the share capital of any group company. No director received any remuneration from the company.

YEAR 2000 COMPLIANCE

The company has not identified any material unresolved issues relating to the Year 2000 date change. Whilst there can be no absolute assurance that issues will not arise at a later date that are connected to the date change, the Directors consider that they have taken all reasonable steps to address the risk of Year 2000 related issues disrupting the company's business.

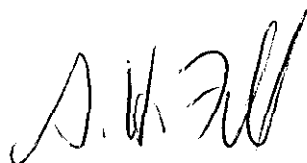
The costs of projects undertaken during the financial year ended 31 December 1999 related to the Year 2000 issue were not material.

SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

By order of the Board

G Fill
Secretary



22/1/01

Rotadyne (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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;
- 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.

REPORT OF THE AUDITORS
to the members of Rotadyne (UK) Limited

We have audited the accounts on pages 6 to 13, which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

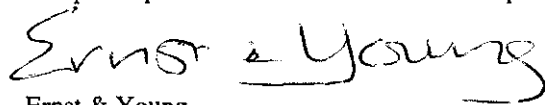
Basis of opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.



Ernst & Young
Registered Auditor
Manchester

Date: 31/01/01

Rotadyne (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

		1999	1998
	Notes	£'000	£'000
TURNOVER	2	2,403	1,771
Cost of Sales		(1,486)	(1,219)
GROSS PROFIT		917	552
Distribution costs		(896)	(479)
Administrative expenses		(935)	(415)
OPERATING LOSS		(915)	(342)
Interest receivable		-	1
Interest payable	5	(80)	(73)
LOSS ON ORDINARY ACTIVITIES BEFORE Taxation	4	(995)	(414)
LOSS FOR THE FINANCIAL YEAR		(995)	(414)

Rotadyne (UK) Limited

BALANCE SHEET

at 31 December 1999

	Notes	1999 £'000	1998 £'000
FIXED ASSETS			
Intangible assets	6	70	64
Tangible assets	7	628	452
		<u>698</u>	<u>516</u>
CURRENT ASSETS			
Stocks		566	356
Debtors	8	691	869
Cash at bank and in hand		28	-
		<u>1,285</u>	<u>1,225</u>
CREDITORS: amounts falling due within one year	9	(309)	(2,227)
NET CURRENT ASSETS/LIABILITIES		<u>976</u>	<u>(1,002)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,674</u>	<u>(486)</u>
CREDITORS: amounts falling due after more than one year	10	(2,583)	(1,104)
		<u>(909)</u>	<u>(1,590)</u>
CAPITAL AND RESERVES			
Called up share capital	12	350	350
Profit and loss account	13	(1,259)	(1,940)
SHAREHOLDERS' FUNDS		<u>(909)</u>	<u>(1,590)</u>

The accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities.

Approved by the Board on

G Fill
Director

22 January 2001
A. W. Fill

NOTES TO THE ACCOUNTS
at 31 December 1999

1. ACCOUNTING POLICIES

Fundamental accounting concept

The accounts have been prepared under the historical cost convention and on the going concern concept, the appropriateness of which is due to continued financial support being given by the company's parent, Rotation Dynamics Corporation, which has been confirmed.

The directors believe that it is therefore appropriate to prepare the financial statements on a going concern basis.

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention.

Intangible fixed assets

Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. It has been capitalised and is being written off in equal annual instalments over its estimated economic life of twenty years.

Intellectual property rights have been capitalised and are being written off in equal annual instalments over their estimated economic life of twelve years.

Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of fixed assets on a straight line basis over their estimated useful lives as follows:

Freehold property	-	15 years
Leasehold improvements	-	2 to 4 years
Plant and equipment	-	5 to 10 years
Computer equipment	-	3 years

Payments made under operating leases are recorded in the profit and loss account.

Deferred Taxation

Provision is made for deferred taxation to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for tax purposes. The provision is maintained to the extent that it is probable that an asset or liability will crystallise in the foreseeable future.

NOTES TO THE ACCOUNTS

at 31 December 1999

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currency

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are reported at rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Work in progress is valued at material costs plus an appropriate proportion of production overheads.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution scheme. Contributions are paid from both the company and employees. Contributions to the pension scheme are charged to the profit and loss account on a fixed percentage of salary in the year to which they relate in accordance with the rules of the scheme.

2. TURNOVER

Turnover represents the invoiced value of sales during the year and is stated net of Value Added Tax. Turnover arises solely from the principal activity of the company within the UK.

3. ADMINISTRATION EXPENSES

Included in administration expenses is a charge of £115,000 to write off the intercompany account with Summit Gravure Limited, a fellow subsidiary undertaking which was closed during the year.

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

4. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	1999 £'000	1998 £'000
Depreciation of owned fixed assets	95	43
Depreciation of assets held under finance leases and hire purchase contracts	6	1
Amortisation of intangible assets	4	1

5. INTEREST PAYABLE

	1999 £'000	1998 £'000
Interest payable on unsecured loans from group undertakings	80	73

6. INTANGIBLE FIXED ASSETS

	<i>Purchased Goodwill £'000</i>	<i>Other £'000</i>	<i>Total £'000</i>
Cost:			
At 1 January 1999	52	13	65
Additions	12	-	12
At 31 December 1998	64	13	77
Depreciation:			
At 1 January 1999	1	-	1
Charge for year	3	1	4
At 31 December 1998	4	1	5
Net book value:			
At 31 December 1999	60	12	72
At 31 December 1998	51	13	64

The addition of £12,000 to goodwill represents a fair value adjustment arising from the acquisition of Precision Rubber Rollers in 1998.

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

7. TANGIBLE FIXED ASSETS

	<i>Freehold property</i>	<i>Leasehold improvements</i>	<i>Fixtures, fittings & equipment</i>	<i>Assets in course of construction</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:					
At 1 January 1999	-	-	640	-	640
Additions	40	42	150	45	277
At 31 December 1999	40	42	790	45	917
Depreciation:					
At 1 January 1999	-	-	188	-	188
Charge for the year	1	5	95	-	101
At 31 December 1999	1	5	283	-	289
Net book value:					
At 31 December 1999	39	37	507	45	628
At 31 December 1998	-	-	452	-	452

Included in fixtures, fittings and equipment is at a value of £61,000 held under a hire purchase contract. The related accumulated depreciation is £27,000.

8. DEBTORS

	<i>1999 £'000</i>	<i>1998 £'000</i>
Trade debtors	663	718
Amounts due to fellow subsidiary	-	122
Other debtors and prepayments	28	29
	691	869

9. CREDITORS: amounts falling due within one year

	<i>1999 £'000</i>	<i>1998 £'000</i>
Bank overdraft	-	72
Amounts owed to hire purchase creditors (note 11)	4	13
Trade creditors	244	427
Other creditors, including taxation and social security	48	48
Accruals and deferred income	13	40
Amounts due to Rotadyne Holdings Limited	-	1
Amounts due to Rotation Dynamics Corporation	-	1,626
	309	2,227

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

10. CREDITORS: amounts falling due after more than one year

	1999 £'000	1998 £'000
Amounts owed to hire purchase creditors (note 11)	-	4
Amounts due to Rotadyne Holdings Limited	-	1,100
Amounts due to Rotation Dynamics Corporation Inc	2,583	-
	<u>2,583</u>	<u>1,104</u>

11. OBLIGATIONS HIRE PURCHASE CONTRACTS

Obligations under hire purchase contracts, all wholly repayable within five years, amounted to £4,000 (1998 - £17,000).

12. CALLED UP SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised: 350,000 Ordinary shares of £1 each	350	350
Allotted, called up and fully paid: 350,000 Ordinary shares of £1 each	<u>350</u>	<u>350</u>

13. RECONCILIATION OF SHAREHOLDERS FUNDS

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 1998	350	(1,526)	(1,176)
Loss for the year	-	(414)	(414)
At 1 January 1999	<u>350</u>	<u>(1,940)</u>	<u>(1,590)</u>
Loss for the year	-	(995)	(995)
Additional contribution	-	1,676	1,676
At 31 December 1999	<u>350</u>	<u>(1,259)</u>	<u>(909)</u>

The immediate parent undertaking, Rotadyne Holdings Limited has waived a loan to the company amounting to £1,676,000, which has been taken to reserves.

14. PENSION SCHEME FUNDING

The company operates a defined contribution scheme Rotadyne Group Personal Pension Scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £10,517 (1998 - £7,929). Contributions totalling £965 (1998 - £2,591) were payable to the fund at the year end and are included in creditors.

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

15. OTHER FINANCIAL COMMITMENTS

The company is party to an intercompany cross guarantee with Rotadyne Holdings Limited for the sum of £591,000 owed to ABN AMRO Bank NV.

16. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999	1998
	£'000	£'000
Operating leases which expire:		
Within one year	28	26
In two to five years	85	86
In greater than five years	92	77

17. POST BALANCE SHEET EVENTS

Since the balance sheet date the directors have taken a decision to close the Birmingham site and concentrate operations at the Kettering site. The total costs associated with this closure are estimated at approximately £100,000 which will be incurred during the year ending 31 December 2000.

18. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The immediate parent undertaking of the company is Rotadyne Holdings Limited, registered in England and Wales.

The only group in which the results of the company are consolidated and the ultimate holding company and controlling party, is that headed by Rotation Dynamics Corporation, incorporated in the USA. The consolidated accounts of Rotation Dynamics Corporation may be obtained from Rotation Dynamics Corporation, 8140 Cass Avenue, Darien, Illinois 60561, USA.

18. RELATED PARTIES

The company has taken advantage of the exemption in paragraph 3C of FRS 8 from disclosing transactions with related parties that are part of the Rotation Dynamics Corporation.