

Rotadyne (UK) Limited

Registered No. 2739202

DIRECTORS

E Nykiel
G Fill
L Randall
P Walker

SECRETARY

G Fill

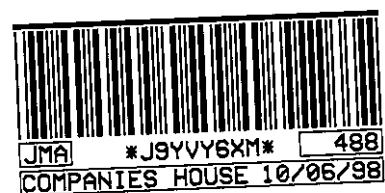
AUDITORS

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

REGISTERED OFFICE

Unit 13
Thameside Industrial Estate
Factory Road
Silvertown
London
E16 2ER

ERNST & YOUNG



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The loss for the year, after taxation amounts to £336,255 (1996 - £340,661). The directors do not recommend the payment of a dividend (1996 - £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.

The directors expect the results of the company to improve as its operations become established.

FIXED ASSETS

The movements in fixed assets are shown in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

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

No director holding office at 31 December 1997 had any beneficial interest in the share capital of any group company.

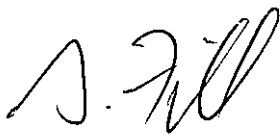
SPECIAL PROVISIONS RELATING TO SMALL COMPANIES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

AUDITORS

A resolution to appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



G Fill
Secretary

29 MAY 1998

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 12, 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 page 8.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants
Registered Auditor
Manchester

29 MAY 1998

Rotadyne (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1997

	Notes	1997 £	1996 £
TURNOVER	2	1,071,235	1,037,048
Cost of sales		(598,121)	(625,086)
GROSS PROFIT		473,114	411,962
Distribution costs		(428,706)	(412,857)
Administrative expenses		(338,479)	(299,845)
OPERATING LOSS		(294,071)	(300,740)
Interest payable	4	(42,184)	(39,921)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	(336,255)	(340,661)
Taxation	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(336,255)	(340,661)
TRANSFERRED TO RESERVES		(336,255)	(340,661)

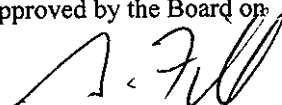
Rotadyne (UK) Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Tangible assets	5	163,669	207,348
CURRENT ASSETS			
Stocks	6	189,179	197,385
Debtors	7	376,942	316,941
Cash at bank and in hand		18,355	28,630
		<u>584,476</u>	<u>542,956</u>
CREDITORS: amounts falling due within one year	8	(1,424,122)	(1,090,026)
NET CURRENT LIABILITIES		<u>(839,646)</u>	<u>(547,070)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(675,977)</u>	<u>(339,722)</u>
CREDITORS: amounts falling due after more than one year	9	(500,000)	(500,000)
		<u>(1,175,977)</u>	<u>(839,722)</u>
CAPITAL AND RESERVES			
Called up share capital	10	350,000	350,000
Profit and loss account	13	(1,525,977)	(1,189,722)
SHAREHOLDERS' FUNDS	12	<u>(1,175,977)</u>	<u>(839,722)</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

29 MAY 1998

NOTES TO THE ACCOUNTS
at 31 December 1997

1. ACCOUNTING POLICIES

Fundamental accounting concept

The company is dependent on continuing finance being available by its ultimate parent undertaking to meet its liabilities as they fall due.

The directors have received assurances from Rotation Dynamics Corporation, the ultimate parent undertaking, that it is the company's present intention to finance Rotadyne (UK) Limited so as to enable it both to meet its liabilities as they fall due and to carry on its business in the future. Accordingly the accounts have been prepared on a going concern basis.

Accounting convention

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

Tangible fixed assets

Fixed assets are stated at cost less 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:

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.

Taxation

Corporation tax payable on taxable profits is provided at the current rate.

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.

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.

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.

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

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. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging:

	1997 £	1996 £
Depreciation of tangible fixed assets	43,679	48,554
Auditors; remuneration - audit	6,000	6,400

No directors received any remuneration from the company during the year.

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Interest payable on unsecured loans from group undertakings	42,184	39,921

5. TANGIBLE FIXED ASSETS

	<i>Fixtures fittings and equipment</i> £	<i>Leasehold improvements</i> £	<i>Total</i> £
Cost:			
At 1 January 1997 and 31 December 1997	305,369	83,588	388,957
Depreciation:			
At 1 January 1997	112,510	69,099	181,609
Charge for year	32,793	10,886	43,679
At 31 December 1997	145,303	79,985	225,288
Net book value:			
At 31 December 1997	160,066	3,603	163,669
At 31 December 1996	192,859	14,489	207,348

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

6. STOCKS

	1997 £	1996 £
Raw materials	74,790	118,887
Work in progress	65,808	45,567
Finished goods	48,581	32,931
	<u>189,179</u>	<u>197,385</u>

7. DEBTORS

	1997 £	1996 £
Trade debtors	343,868	304,128
Amounts due to fellow subsidiary	21,865	-
Other debtors and prepayments	11,209	12,813
	<u>376,942</u>	<u>316,941</u>

8. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Trade creditors	72,953	81,925
Other creditors, including taxation and social security	35,201	43,110
Accruals and deferred income	143,355	61,295
Amounts due to Rotadyne Limited	205,191	168,275
Amounts due to Usher-Walker PLC	30,361	17,706
Amounts due to Rotation Dynamics Corporation	937,061	717,715
	<u>1,424,122</u>	<u>1,090,026</u>

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

	1997 £	1996 £
Due to parent undertakings:		
Unsecured loan due to Rotadyne Holdings Limited	350,000	350,000
Unsecured loan due to Usher-Walker PLC	150,000	150,000
	<u>500,000</u>	<u>500,000</u>

The amounts due to parent undertakings relate to unsecured loans which bear interest at 2% above the base lending rate, and are repayable on 20 April 2000.

Rotadyne (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised: 350,000 Ordinary shares of £1 each	350,000	350,000
Allotted, called up and fully paid: 350,000 Ordinary shares of £1 each	350,000	350,000

11. 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 £9,366 (1996 - £9,073). Contributions totalling £3,404 (1996 - £4,972) were payable to the fund at the year end and are included in creditors.

12. MOVEMENTS ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Loss for the year	(336,255)	(340,661)
Opening shareholders' funds	(839,722)	(499,061)
Closing shareholders' funds	(1,175,977)	(839,722)

13. PROFIT AND LOSS ACCOUNT

	1997 £	1996 £
Accumulated losses at 1 January 1997	(1,189,722)	(849,061)
Loss for the year	(336,255)	(340,661)
Accumulated losses at 31 December 1997	(1,525,977)	(1,189,722)

14. COMMITMENTS UNDER OPERATING LEASES

At 31 December 1997 the company had annual commitments under non-cancellable operating leases as set out below:

	1997		1996	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	45,172	-	68,616

NOTES TO THE ACCOUNTS
at 31 December 1997

15. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

The immediate parent undertaking of the company is Rotadyne Holdings Limited, incorporated 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, 15 Salt Creek Lane, Suite 309, Hinsdale, Illinois 60521, USA.

16. 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.