**Abrasive Technology Limited**

Abbreviated Financial Statements

Year Ended

31 December 2004



BDO

**BDO Stoy Hayward**
Chartered Accountants

**ABRASIVE TECHNOLOGY LIMITED**

**Annual report and financial statements for the year ended 31 December 2004**

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**Director**

L M Peterman Jnr

**Secretary**

A Seymour

**Registered office**

Roxby Place
Fulham
London SW6 1RT

**Registered number**

2874855

**Auditors**

BDO Stoy Hayward LLP
Commercial Buildings
11-15 Cross Street
Manchester M2 1WE

**Bankers**

Bank of Scotland
Head Office
Kingsway
Cardiff CF1 4YB

ABRASIVE TECHNOLOGY LIMITED

**Report of the director for the year ended 31 December 2004**

The director submits his report together with the audited financial statements for the year ended 31 December 2004.

**Results and dividends**

The profit and loss account is set out on page 4 and shows the loss for the year.

The director does not recommend the payment of a dividend.

**Principal activities, trading review and future developments**

The principal activity of the company continues to be the manufacture of a wide range of tooling, incorporating industrial diamond and other superabrasives.

The director is disappointed with the results for the year but foresees continued developments and an improvement in results over the forthcoming year.

**Research and development**

The company is committed to new product development which the director believes is key to maintaining the company's position in its market. Such expenditure is disclosed in note 5 to the financial statements.

**Director**

The director of the company during the year was L M Peterman Jnr. He had no interest in the ordinary share capital of the company during the year.

**Director's responsibilities**

Company law requires the director to prepare financial statements 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 year. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is 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. He is 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

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

**On behalf of the Board**

**L M Peterman Jnr**
**Director**

Date: 24 May 2005

**Independent auditors' report to Abrasive Technology Limited under section 247B of the Companies Act 1985**

We have examined the abbreviated financial statements of Abrasive Technology Limited on pages 4 to 17 together with the financial statements of the company for the year ended 31 December 2004 prepared under section 226 of the Companies Act 1985.

*Respective responsibilities of directors and auditors*

The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

*Basis of opinion*

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

*Opinion*

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 4 to 17 are properly prepared in accordance with that provision.

BDO Stoy Hayward LLP

**BDO STOY HAYWARD LLP**
Chartered Accountants and Registered Auditors
Manchester

24 May 2005

ABRASIVE TECHNOLOGY LIMITED

**Profit and loss account for the year ended 31 December 2004**

| | Note | 2004 | | 2003 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Gross profit** | | | 531,798 | | 509,561 |
| Distribution costs | | 80,086 | | 105,032 | |
| Administrative expenses | | 1,487,260 | | 1,594,535 | |
| | | | 1,567,346 | | 1,699,567 |
| **Operating loss** | 3 | | (1,035,548) | | (1,190,006) |
| Interest receivable | | 750 | | 1,728 | |
| Interest payable and similar charges | 5 | 157,751 | | 192,377 | |
| | | | (157,001) | | (190,649) |
| **Loss on ordinary activities before taxation** | | | (1,192,549) | | (1,380,655) |
| Taxation on loss on ordinary activities | 6 | | - | | - |
| **Loss for the financial year** | 17 | | (1,192,549) | | (1,380,655) |

All amounts relate to continuing activities.

The company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no material difference between the results as per the profit and loss account and those on an unmodified historical cost basis.

The notes on pages 7 to 17 form part of these financial statements.

ABRASIVE TECHNOLOGY LIMITED

**Balance sheet at 31 December 2004**

| | Note | 2004 | | 2003 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | 8 | 3,103,967 | | 3,201,973 | |
| Investments | 9 | 132,144 | | 1 | |
| | | | 3,236,111 | | 3,201,974 |
| **Current assets** | | | | | |
| Stocks | 10 | 641,750 | | 626,510 | |
| Debtors - due within one year | 11 | 576,990 | | 859,054 | |
| Debtors - due after one year | 11 | 173,019 | | 217,934 | |
| Total debtors | | 750,009 | | 1,076,988 | |
| Cash at bank and in hand | | 342,825 | | 188,422 | |
| | | 1,734,584 | | 1,891,920 | |
| **Creditors: amounts falling due within one year** | 12 | 320,959 | | 395,378 | |
| **Net current assets** | | | 1,413,625 | | 1,496,542 |
| **Total assets less current liabilities** | | | 4,649,736 | | 4,698,516 |
| **Creditors: amounts falling due after more than one year** | 13 | | 2,714,806 | | 3,571,037 |
| | | | 1,934,930 | | 1,127,479 |
| **Capital and reserves** | | | | | |
| Called up share capital | 15 | | 1,800,282 | | 1,788,282 |
| Share premium account | 16 | | 7,742,080 | | 5,754,080 |
| Revaluation reserve | 16 | | 176,215 | | 178,090 |
| Profit and loss account | 16 | | (7,783,647) | | (6,592,973) |
| **Equity shareholders' funds** | 17 | | 1,934,930 | | 1,127,479 |

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

These financial statements were approved by the Board on 24 May 2005.

**L M Peterman Jnr**
**Director**

The notes on pages 7 to 17 form part of these financial statements.

## Cash flow statement for the year ended 31 December 2004

| | Note | 2004 £ | 2003 £ |
|---|---|---|---|
| **Net cash inflow from operating activities** | 18 | 508,127 | 690,738 |
| **Returns on investments and servicing of finance** | 19 | (157,001) | (190,649) |
| **Capital expenditure** | 19 | (196,723) | (454,779) |
| | | 154,403 | 45,310 |
| **Financing** | 19 | - | (27,484) |
| **Increase in cash** | | 154,403 | 17,826 |

**Reconciliation of net cash flow to movement in net funds (see note 19)**

| | 2004 £ | 2003 £ |
|---|---|---|
| **Increase in cash in the year** | 154,403 | 17,826 |
| *Cash repaying loans* | - | - |
| Capital element of finance lease and hire purchase rentals | - | 27,484 |
| **Change in net funds** | 154,403 | 45,310 |
| **Net funds at beginning of year** | 188,422 | 143,112 |
| ***Net funds at end of year*** | 342,825 | 188,422 |

The notes on pages 7 to 17 form part of these financial statements.

## 1 Accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets, and are in accordance with applicable accounting standards.

The company is not required to prepare group accounts as it has taken advantage of the exemption conferred by section 248 of the Companies Act 1985. The financial statements present information about the company as an individual undertaking and not about its group.

The following principal accounting policies, which have not changed in the year have been applied.

*Turnover*

Turnover represents sales to customers at invoiced amount less value added tax.

*Land and buildings*

The company took advantage of the arrangements under FRS 15 which allow the retention of the carrying value of revalued land and buildings acquired prior to 31 December 1999. All additions since this date are stated at cost. Where an asset that was previously revalued is disposed of, its book value is eliminated and an appropriate transfer made from the revaluation reserve to the profit and loss reserve.

*Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, over their expected useful lives, from the date the asset is brought into use. It is calculated at the following annual rates on a straight line basis:

| | | |
|---|---|---|
| Freehold buildings | - | 2% |
| Plant and machinery | - | 10% |
| Fixtures, fittings and equipment | - | 20% |

*Goodwill*

Purchased goodwill is capitalised and amortised over its expected useful economic life of three years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

*Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:-

| | | |
|---|---|---|
| Raw materials | - | cost of purchase on first in first out basis |
| Work in progress and finished goods | - | cost of raw materials and labour together with attributable overheads |

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

*Pension costs*

Contributions to defined contribution pension schemes are charged to the profit and loss account in the year in which they become payable.

## 1 Accounting policies *(continued)*

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

*Foreign currency*

Foreign currency transactions are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

*Research and development*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure.

*Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

*Leases and hire purchase contracts*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the year of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Hire purchase contracts are treated identically to finance leases.

## 1 Accounting policies *(continued)*

*Government grants*

Grants relating to expenditure on tangible fixed assets are credited to the profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included within fixed assets.

Grants of a revenue nature are credited to the profit and loss account in the year to which they relate.

## 2 Basis of preparation

The company meets it day to day working capital requirements through facilities from its bankers which are repayable on demand and through funds loaned by group undertakings. The company expects to operate within the bank facilities currently agreed. Furthermore, the company has received an indication from its group undertakings that the latter will continue to support it for the foreseeable future and for at least twelve months from the date of signing the financial statements. On this basis, the director considers it appropriate to prepare the financial statements on a going concern basis.

## 3 Operating loss

| | 2004 | 2003 |
|---|---|---|
| This is arrived at after charging: | £ | £ |
| Director's emoluments | - | - |
| Depreciation of tangible fixed assets | 288,396 | 328,362 |
| Amortisation of purchased goodwill | - | 80,000 |
| Hire of plant and machinery - operating leases | 55,287 | 62,664 |
| Hire of other assets - operating leases | 44,000 | 32,375 |
| Auditors' remuneration - audit services | 10,500 | 10,500 |
| Research and development | 41,640 | 40,242 |
| Loss on foreign exchange | 88,028 | 99,196 |
| Loss on sale of fixed assets | 6,333 | - |

## 4 Employees

Staff costs (including directors) consist of:

| | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| Wages and salaries | 1,527,905 | 1,636,873 |
| Social security costs | 151,527 | 154,298 |
| Other pension costs | 70,942 | 75,888 |
| | 1,750,374 | 1,867,059 |

The average monthly number of employees, including directors, during the year was as follows:

| | 2004 | 2003 |
|---|---|---|
| | Number | Number |
| Full time | 65 | 72 |
| Part time | 3 | - |
| | 68 | 72 |

## 5 Interest payable and similar charges

| | 2004 £ | 2003 £ |
|---|---|---|
| On bank loans and overdrafts | 2,170 | 2,039 |
| On loans from group undertakings | 155,581 | 183,034 |
| On finance leases and hire purchase contracts | - | 7,304 |
| | 157,751 | 192,377 |

## 6 Taxation on loss on ordinary activities

| | 2004 £ | 2003 £ |
|---|---|---|
| *Current tax* | | |
| UK corporation tax on loss for the year | - | - |
| Taxation on loss on ordinary activities | - | - |

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2004 £ | 2003 £ |
|---|---|---|
| Loss on ordinary activities before tax | (1,192,549) | (1,380,655) |
| Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 – 30%) | (357,765) | (414,197) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 541 | 26,548 |
| Depreciation in excess of capital allowances | 72,432 | 83,120 |
| Corporation tax losses not utilised | 284,792 | 304,529 |
| Current tax charge for year | - | - |

## 7 Intangible assets

| | Purchased goodwill £ |
|---|---|
| *Cost* | |
| At 1 January 2004 and at 31 December 2004 | 272,000 |
| *Amortisation* | |
| At 1 January 2004 and at 31 December 2004 | 272,000 |
| *Net book value* | |
| At 31 December 2004 | - |
| At 31 December 2003 | - |

## 8 Tangible assets

| | Freehold land and buildings £ | Plant and machinery £ | Fixtures, fittings & equipment £ | Payments on account £ | Total £ |
|---|---|---|---|---|---|
| *Cost* | | | | | |
| At 1 January 2004 | 1,861,899 | 2,074,313 | 665,519 | 268,334 | 4,870,065 |
| Additions | 49,873 | 140,708 | 13,142 | - | 203,723 |
| Transfers | - | 268,334 | - | (268,334) | - |
| Disposals | - | (20,000) | - | - | (20,000) |
| At 31 December 2004 | 1,911,772 | 2,463,355 | 678,661 | - | 5,053,788 |
| *Depreciation* | | | | | |
| At 1 January 2004 | 132,521 | 968,963 | 566,608 | - | 1,668,092 |
| Charge for the year | 37,771 | 199,336 | 51,289 | - | 288,396 |
| Disposals | - | (6,667) | - | - | (6,667) |
| At 31 December 2004 | 170,292 | 1,161,632 | 617,897 | - | 1,949,821 |
| *Net book value* | | | | | |
| At 31 December 2004 | 1,741,480 | 1,301,723 | 60,764 | - | 3,103,967 |
| At 31 December 2003 | 1,729,378 | 1,105,350 | 98,911 | 268,334 | 3,201,973 |

| Freehold land and buildings are stated at: | 2004 £ | 2003 £ |
|---|---|---|
| Cost | 1,249,772 | 1,199,899 |
| Open market value – 1998 | 662,000 | 662,000 |
| | 1,911,772 | 1,861,899 |

| The historical cost net book value of land and buildings is: | 2004 £ | 2003 £ |
|---|---|---|
| Cost | 1,748,997 | 1,699,124 |
| Accumulated depreciation based on historical cost | 182,172 | 147,192 |
| Historical cost net book value | 1,566,825 | 1,551,932 |

The freehold land and buildings were revalued by the then directors, on 31 December 1998, on an open market value basis supported by independent professional valuations dated 29 April 1998.

The company has taken advantage of the transitional provisions in FRS 15 to retain existing book values including those of unimpaired tangible fixed assets which were previously stated at valuation.

## 9 Investments

| | Group undertakings (unlisted) £ |
|---|---|
| At 1 January 2004 | 1 |
| Additions | 132,143 |
| At 31 December 2004 | 132,144 |

The investment relates to Abrasive Technology Asia Pacific Pte Ltd, a wholly owned subsidiary undertaking registered in Singapore. Its principal activity is that of exporter, importer and dealer in general precision industrial tooling.

No consolidated financial statements have been prepared as permitted by section 246 of the Companies Act 1985 owing to the group being "medium" sized as defined by section 249 to that Act.

During the year ended 31 December 2004 the subsidiary undertaking reported a loss of £3,298 (2003 – loss of £86,201) and had capital and reserves of £117,051 at the balance sheet date (2003 - net deficit on capital and reserves of £6,778).

During the year the company has increased its investment in its subsidiary undertaking, Abrasive Technology Asia Pacific Pte Ltd. This was funded by capitalising an element of the inter-company debtor.

## 10 Stocks

| | 2004 £ | 2003 £ |
|---|---|---|
| Raw materials | 412,806 | 312,502 |
| Work in progress | 64,216 | 31,496 |
| Finished goods | 164,728 | 282,512 |
| | 641,750 | 626,510 |

In the opinion of the directors, the replacement cost of the stock is not materially different from the above.

## 11 Debtors

| | 2004 £ | 2003 £ |
|---|---|---|
| Amounts receivable within one year | | |
| Trade debtors | 512,196 | 546,780 |
| Other debtors | - | 14,462 |
| Prepayments and accrued income | 64,794 | 297,812 |
| | 576,990 | 859,054 |
| Amounts receivable after one year | | |
| Amounts owed by group undertakings | 173,019 | 217,934 |

## 12 Creditors: amounts falling due within one year

| | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| Trade creditors | 153,062 | 143,577 |
| Taxation and social security | 43,577 | 45,743 |
| Accruals | 124,320 | 206,058 |
| | 320,959 | 395,378 |

## 13 Creditors: amounts falling due after more than one year

| | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| Amounts owed to group undertakings | 2,714,806 | 3,571,037 |

## 14 Deferred taxation

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | Unprovided | Provided in accounts | Unprovided | Provided in accounts |
| | £ | £ | £ | £ |
| Accelerated capital allowances | (411,797) | - | (339,365) | - |
| Losses | (1,792,112) | - | (1,507,320) | - |
| Revaluations | 52,865 | - | 53,427 | - |
| | (2,151,044) | - | (1,793,258) | - |

The deferred tax asset noted above has not been recognised in the accounts as the company does not anticipate making sufficient taxable profits in the near future to absorb the reversal of the underlying timing differences.

## 15 Share capital

| *Authorised* | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| 339,285 "A" Ordinary shares of £1 each | 339,285 | 339,285 |
| 500,000 "B" Ordinary shares of £3 each | 1,500,000 | 1,500,000 |
| | 1,839,285 | 1,839,285 |

| *Allotted, called up and fully paid* | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| 339,285 "A" Ordinary shares of £1 each | 339,285 | 339,285 |
| 482,999 (2003 - 478,999) "B" Ordinary shares of £3 each | 1,460,997 | 1,448,997 |
| | 1,800,282 | 1,788,282 |

## 15 Share capital *(continued)*

The "A" and "B" Ordinary shares rank pari-passu in all matters, and are both classed as equity capital.

On 17 December 2004 4,000 "B" Ordinary shares of £3 each were allotted at £500 per share and the total premium of £1,988,000 was credited to the share premium account (note 16).

## 16 Reserves

| | Share premium account | Revaluation reserve | Profit and loss account |
|---|---|---|---|
| | £ | £ | £ |
| At 1 January 2004 | 5,754,080 | 178,090 | (6,592,973) |
| Transfer of excess depreciation | - | (1,875) | 1,875 |
| Retained loss for the year | - | - | (1,192,549) |
| Premium on shares issued | 1,988,000 | - | - |
| At 31 December 2004 | 7,742,080 | 176,215 | (7,783,647) |

## 17 Reconciliation of movements in shareholders' funds

| | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| Loss for the financial year | (1,192,549) | (1,380,655) |
| Net reduction in shareholders' funds | (1,192,549) | (1,380,655) |
| Opening shareholders' funds | 1,127,479 | 508,134 |
| New share capital issued including premium | 2,000,000 | 2,000,000 |
| Closing shareholders' funds | 1,934,930 | 1,127,479 |

## 18 Reconciliation of operating loss to net cash inflow from operating activities

| | 2004 | 2003 |
|---|---|---|
| | £ | £ |
| Operating loss | (1,035,548) | (1,190,006) |
| Depreciation | 288,396 | 328,362 |
| Amortisation | - | 80,000 |
| Loss on disposal of fixed assets | 6,333 | - |
| Increase in stocks | (15,240) | (64,019) |
| Decrease in debtors | 194,836 | 29,742 |
| Increase in creditors | 1,069,350 | 1,506,659 |
| Net cash inflow from operating activities | 508,127 | 690,738 |

## 19 Notes to the cash flow statement

### i) Gross cash flows

| | 2004 £ | 2003 £ |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | 750 | 1,728 |
| Interest paid | (157,751) | (192,377) |
| | (157,001) | (190,649) |
| **Capital expenditure** | | |
| Payments to acquire tangible assets | (203,723) | (454,779) |
| Receipt on sale of tangible assets | 7,000 | - |
| | (196,723) | (454,779) |
| **Financing** | | |
| Repayment of secured loans | - | - |
| Capital element of finance leases and hire purchase rentals | - | (27,484) |
| | - | (27,484) |

### ii) Analysis of changes in net debt

| | At 1 January 2004 £ | Cash flows £ | At 31 December 2004 £ |
|---|---|---|---|
| Cash at bank and in hand | 188,422 | 154,403 | 342,825 |

### (iii) Major non-cash transactions

During the year, the company capitalised an amount due to a group undertaking of £2,000,000 (2003 -£2,000,000) into share capital.

## 20 Pensions

The company contributes to defined contribution pension schemes and various individual personal pension plans. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the fund and those individual plans, and amounted to £70,942 for the year (2003 - £75,888).

## 21 Commitments under operating leases

As at the balance sheet date, the company had annual commitments under non-cancellable operating leases as set out below:-

| | 2004 | | 2003 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | **Land and buildings** | **Other** |
| | £ | £ | £ | £ |
| Operating leases which expire: | | | | |
| Within one year | - | 9,925 | - | 15,148 |
| In two to five years | 44,000 | 30,909 | 44,000 | 20,309 |
| After five years | - | - | - | - |
| | 44,000 | 40,834 | 44,000 | 35,457 |

## 22 Related party transactions

During the year the company traded with fellow group undertakings, Abrasive Technology Inc. and Abrasive Technology Asia Pacific Pte Ltd. Sales to group undertakings were £367,053 (2003 - £325,854) for the year. Purchases from group undertakings were £413,249 (2003 - £1,026,113).

During the year the company was loaned funds by its ultimate parent undertaking. This loan carries interest calculated at 4% and an amount of £155,581 (2003 £183,034) was payable during the year.

During the year the company charged its subsidiary undertaking £30,000 (2003 - £30,000) for management services.

Balances due from and to group undertakings are disclosed in notes 11 and 13 to the financial statements.

## 23 Ultimate parent undertaking

The ultimate parent undertaking and controlling party is Abrasive Technology Inc, incorporated in USA.