

PRINTABLE FIELD EMITTERS LIMITED

Report and Financial Statements

30 April 2003

Deloitte & Touche LLP
Cambridge

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REPORT AND FINANCIAL STATEMENTS 2003

CONTENTS	Page
Directors' report	1
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the accounts	6

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 April 2003.

This report has been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985.

ACTIVITIES

The company's principal activity is the research and development of visual display units.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year and their beneficial and family interests in the shares of the company are as follows:

	Ordinary shares		Options over ordinary shares	
	30 April 2003	1 May 2002 (or date of appointment)	30 April 2003	1 May 2002 (or date of appointment)
	No.	No.	No.	No.
W Taylor	41,310	41,310	-	-
Dr R A Tuck	36,000	36,000	-	-
Dr D Simpson CBE	3,122	3,122	-	-
Dr J S Campbell	2,000	2,000	-	-
A B Harding (resigned 4 July 2002)	2,072	2,072	10,512	10,512
T M Holzel (resigned 2 April 2003)	-	-	5,014	15,043
S Leeson	-	-	-	-
W Freer (appointed 10 January 2003)	-	-	-	-
I Thomas (appointed 10 January 2003)	-	-	-	-

I Thomas and W Freer have been granted options over 13,977 and 5,591 ordinary shares respectively after the year end.

FUND RAISING

On 25 June 2002 the company raised a total consideration of £1,000,000 from the issue of 1,226 ordinary shares and 35,504 'B' ordinary shares. On 10 January 2003 the company raised £2,500,000 in loan notes of which £1,500,000 was received in January 2003 and the balance is due in two tranches of £500,000 on satisfaction of defined milestones.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, 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 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. 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.

DIRECTORS' REPORT

AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

I E Thomas

I E Thomas

Director

29 August 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINTABLE FIELD EMITTERS LIMITED

**Deloitte
& Touche**

We have audited the financial statements of Printable Field Emitters Limited for the year ended 30 April 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 13. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002) and under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the financing arrangements and further funding available. The financial statements are prepared on a going concern basis, the validity of which depends upon the future funding being available. In view of the significance of this uncertainty we draw attention to the going concern disclosures in note 1 of the financial statements, but our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2003 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Cambridge

11 September 2003

PROFIT AND LOSS ACCOUNT

Year ended 30 April 2003

	Note	2003 £	2002 £
Cost of sales		(186,492)	(191,338)
Gross loss		(186,492)	(191,338)
Administrative expenses		(2,277,200)	(1,978,632)
Other operating income		336,375	107,620
OPERATING LOSS	3	(2,127,317)	(2,062,350)
Interest receivable		17,312	11,260
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,110,005)	(2,051,090)
Tax on loss on ordinary activities	4	88,285	8,347
RETAINED LOSS FOR THE FINANCIAL YEAR	11	(2,021,720)	(2,042,743)

BALANCE SHEET
30 April 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	5	611,708	627,597
CURRENT ASSETS			
Debtors	6	184,838	80,664
Investment - cash treasury deposits		900,000	-
Cash at bank and in hand		36,352	529,425
		1,121,190	610,089
CREDITORS: amounts falling due within one year	7	(228,762)	(182,018)
NET CURRENT ASSETS		892,428	428,071
TOTAL ASSETS LESS CURRENT LIABILITIES		1,504,136	1,055,668
CREDITORS: amounts falling due after more than one year	8	1,550,331	72,007
CAPITAL AND RESERVES			
Called up share capital	10	503	466
Share premium account	11	7,501,233	6,509,406
Profit and loss account	11	(7,547,931)	(5,526,211)
		(46,195)	983,661
		1,504,136	1,055,668

These accounts have been prepared in accordance with the special provisions relating to small companies under Section 246 of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

These financial statements were approved by the Board of Directors on

29th August 2003

Ivor S Y Thomas

I E Thomas

Director

NOTES TO THE ACCOUNTS**Year ended 30 April 2003****1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002). The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Going concern

In common with other development stage technology companies, the company needs to fund further development expenditure before being able to generate trading income. The directors have reviewed the forecast needs of the company and in accordance with the funding round in January 2003 a further £1 million of loan note funding is expected to be received during the course of the next financial year. The financial statements have been prepared on the going concern basis and do not include any adjustments that might result from any shortfall in finance for development.

Cash flow statement

The company has taken advantage of the exemption available to small companies and has not prepared a cash flow statement.

Tangible fixed assets

Depreciation is provided to write off the cost in equal annual instalments over the estimated useful economic lives of the assets. The estimated useful economic lives are as follows:

Leasehold improvements	over 4 years
Fixtures and fittings	over 4 to 5 years
Motor vehicles	over 4 years
Plant and machinery	over 4 years

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

Leases

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease rental on a straight line basis.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Research and development

Research and development expenditure is charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS

Year ended 30 April 2003

1. ACCOUNTING POLICIES (continued)

Pension costs

The pension costs represent the amount of contributions payable to money purchase pension schemes. The amount charged to the profit and loss account in respect of the pension costs is the contribution actually payable in the year. Differences between contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. INFORMATION REGARDING DIRECTORS

	2003 £	2002 £
Directors' remuneration		
Emoluments	413,732	329,093
Compensation for loss of office	40,000	-
	<u>453,732</u>	<u>329,093</u>

3. OPERATING LOSS

	2003 £	2002 £
Operating loss is after charging (crediting):		
Depreciation		
Owned assets	249,798	194,994
Leased assets	33,514	23,938
Profit on disposal of leased assets	(5,156)	(2,446)
Operating lease rentals - land and buildings	98,191	90,740
Auditors' remuneration	7,000	6,000
Grant income	(336,375)	(107,620)
	<u></u>	<u></u>

4. TAX ON LOSS ON ORDINARY ACTIVITIES

	2003 £	2002 £
Research and development tax credit	88,285	8,347
	<u></u>	<u></u>

There is no tax charge due to losses in the year.

NOTES TO THE ACCOUNTS
Year ended 30 April 2003

5. TANGIBLE FIXED ASSETS

	Leasehold improve- ments £	Fixtures and fittings £	Motor vehicles £	Plant and machinery £	Total £
Cost					
At 1 May 2002	176,308	97,998	128,315	666,631	1,069,252
Additions	67,428	2,606	34,000	173,733	277,767
Disposals	-	-	(33,100)	-	(33,100)
At 30 April 2003	243,736	100,604	129,215	840,364	1,313,919
Depreciation					
At 1 May 2002	76,396	53,490	33,542	278,227	441,655
Charge for the year	53,516	27,037	33,514	169,245	283,312
Disposals	-	-	(22,756)	-	(22,756)
At 30 April 2003	129,912	80,527	44,300	447,472	702,211
Net book value					
At 30 April 2003	113,824	20,077	84,915	392,892	611,708
At 30 April 2002	99,912	44,508	94,773	388,404	627,597

The net book value of motor vehicles includes £84,915 (2002 - £94,773) in respect of assets held under finance leases.

6. DEBTORS

	2003 £	2002 £
Corporation tax	70,599	-
VAT recoverable	12,984	33,897
Other debtors	-	3,188
Prepayments and accrued income	101,255	43,579
	<u>184,838</u>	<u>80,664</u>

NOTES TO THE ACCOUNTS

Year ended 30 April 2003

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts	30,010	20,643
Trade creditors	69,178	62,691
Other taxation and social security	37,621	33,884
Accruals	91,953	64,800
	<u>228,762</u>	<u>182,018</u>

8. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003 £	2002 £
Secured convertible zero rated loan notes	1,500,000	-
Obligations under finance leases and hire purchase contracts	50,331	72,007
	<u>1,550,331</u>	<u>72,007</u>

The secured convertible zero rated loan notes are secured by a fixed and floating debenture over the assets of the company. A further two tranches of convertible zero rated loan notes are due in the future and will be received on the satisfaction of defined milestones.

The secured convertible zero rated loan notes can be redeemed at par, or converted into equity shares in the event of a listing, sale, asset sale or a new issue of shares. Loan notes not converted or redeemed are repayable on 31 December 2004.

9. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

Amounts payable:	2003 £	2002 £
Within one year	30,010	20,643
Between two and five years	50,331	72,007
	<u>80,341</u>	<u>92,650</u>

NOTES TO THE ACCOUNTS
Year ended 30 April 2003

10. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised		
276,995 (2002 - 196,240) ordinary shares of £0.001 each	277	196
245,793 (2002 - 248,183) 'A' ordinary shares of £0.001 each	246	248
2,390 (2002 - nil) 'A1' ordinary shares of £0.001 each	2	-
374,822 (2002 - 106,514) 'B' ordinary shares of £0.001 each	375	107
	<u>900</u>	<u>551</u>
Called up, allotted and fully paid		
148,583 (2002 - 147,357) ordinary shares of £0.001 each	148	147
245,793 (2002 - 248,183) 'A' ordinary shares of £0.001 each	246	248
2,390 (2002 - nil) 'A1' ordinary shares of £0.001 each	2	-
106,513 (2002 - 71,009) 'B' ordinary shares of £0.001 each	107	71
	<u>503</u>	<u>466</u>

On 25 June 2002 the company issued 1,226 ordinary shares of £0.001 each and 35,504 'B' ordinary shares of £0.001 each for a total consideration of £1,000,000.

The Articles of Association, amended and adopted in January 2003, have split the 248,183 'A' ordinary shares into 245,793 'A' ordinary shares and 2,390 'A1' ordinary shares. At the same time the authorised ordinary share capital was increased from 196,240 shares to 276,995 shares and the 'B' ordinary authorised share capital from 106,514 shares to 374,822 shares.

The company has issued share options over unissued ordinary shares of £0.001 each to employees under an unapproved share option plan and employee share ownership plan. Options can be exercised at any time after vesting before the tenth anniversary of their granting. Options held, including by directors, at 30 April 2003 are:

At 1 May 2002 Number	Granted Number	Lapsed in year Number	At 30 April 2003 Number	Exercise price per share £
25,555	-	(10,029)	15,526	0.01 - 27.23

11. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Called up share capital £	Share premium account £	Profit and loss account £	2003 Total £	2002 Total £
At 1 May 2002	466	6,509,406	(5,526,211)	983,661	1,058,317
Issue of new shares	37	999,963	-	1,000,000	2,000,000
Expenses of share issue	-	(8,136)	-	(8,136)	(31,913)
Loss for the year	-	-	(2,021,720)	(2,021,720)	(2,042,743)
At 30 April 2003	<u>503</u>	<u>7,501,233</u>	<u>(7,547,931)</u>	<u>(46,195)</u>	<u>983,661</u>

NOTES TO THE ACCOUNTS**Year ended 30 April 2003****12. FINANCIAL COMMITMENTS****Operating lease commitments**

At 30 April 2003 the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings	
	2003	2002
	£	£
Operating leases which expire:		
Within one year	-	97,000
Within two to five years	103,000	-
	<u>103,000</u>	<u>-</u>

13. EMPLOYEE SHARE OWNERSHIP TRUST

The company operates an Employee Share Ownership Trust for the purposes of distributing the shares held within the scheme to the employees of the company. During the year no shares were issued to the trust (2002 - nil ordinary shares of £0.001 each). At 30 April 2003 the trust holds 24,959 (2002 - 24,959) ordinary shares of £0.001 each.

Any person who is an employee or a director of the company is eligible to be granted options under the scheme. Share options will be granted at the discretion of the trustees.

At the year end the trust had neither issued any shares nor options on the shares. No shares or options have been issued to the trust since the year end.

The costs of the trust are borne by the company.