

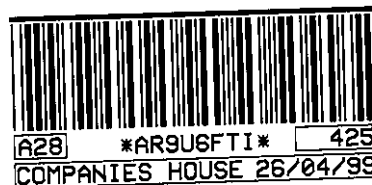
KPMG  
REGISTRAR'S COPY

**Thermwood (Europe) Limited**

**Directors' report and financial statements**

31 July 1998

Registered number 3168991



## **Directors' report and financial statements**

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## **Directors' report**

The directors present their annual report and the audited financial statements for the year ended 31 July 1998.

### **Result for the year**

The loss of £308,574 for the year has been absorbed by the company.

### **Principal activities**

The principal activity of the company is that of the sale of computer controlled plastic and woodworking equipment.

### **Proposed dividend**

The directors can not recommend the payment of a dividend.

### **Directors and directors' interests**

The directors who held office during the period were as follows:

G Lockhart  
D Hildenbrand

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

The following options in the shares of the parent company, Thermwood Corporation, were granted and exercised by the directors of the company during the year:

	Number of options during the year	
	Granted	Exercised
G Lockhart	5,000	-
D Hildenbrand	5,400	-

The details relating to these options are contained within the financial statements of the parent company, Thermwood Corporation.

## **Directors' report** *(continued)*

### **Year 2000 and introduction of the Euro**

The directors have considered the risks associated with the Year 2000 problem. Given the complexity of the issue, it is not possible for any organisation give an absolute guarantee that no Year 2000 issues will arise. The directors, however, believe that the company will achieve an acceptable state of readiness and is developing contingency plans to deal with any failures or issues which might arise. The cost of addressing this issue has not been quantified but is not expected to be material in the context of the financial statements.

The impact of the introduction of the Euro is expected to be minimal.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**G Lockhart**  
*Director*

Sun Alliance House  
35 Mosley Street  
Newcastle upon Tyne  
NE1 1XX

*19 April 1999*

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- make select suitable accounting policies and then apply them consistently;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Report of the auditors to the members of Thermwood (Europe) Limited**

We have audited the financial statements on pages 5 to 14.

### **Respective responsibilities of directors and auditors**

As described on page 3 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 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 disclosure made in note 1 to the financial statements concerning the uncertainty as to the ability of the company to continue in operational existence for the foreseeable future. In view of the significance of this uncertainty we consider that it should be drawn to your attention 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 31 July 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Chartered Accountants  
Registered Auditors*

*19 April* 1999

**Profit and loss account**  
*for the year ended 31 July 1998*

	<i>Note</i>	Year ended 31 July 1998 £	17 month period ended 31 July 1997 £
<b>Turnover</b>			
Continuing operations	2	980,873	610,337
Cost of sales		(716,858)	(389,881)
		<hr/>	<hr/>
<b>Gross profit</b>		264,015	220,456
Administrative expenses		(505,927)	(342,906)
Other operating income		282	6,932
		<hr/>	<hr/>
<b>Operating loss</b>			
Continuing operations		(241,630)	(115,518)
Other interest receivable and similar income	5	2,409	8,901
Interest payable and similar charges	6	(69,353)	(185)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	3-4	(308,574)	(106,802)
Tax on loss on ordinary activities		-	-
		<hr/>	<hr/>
<b>Loss for the period</b>		<u>(308,574)</u>	<u>(106,802)</u>

There are no recognised gains and losses for the current and preceding financial year other than those stated in the profit and loss account.

**Balance sheet**  
*at 31 July 1998*

	<i>Note</i>	1998	1997
		£	£
<b>Fixed assets</b>			
Tangible assets	7	58,079	38,745
<b>Current assets</b>			
Stocks	8	272,968	110,887
Debtors	9	231,038	185,611
Cash at bank and in hand		49,792	258,982
		<u>553,798</u>	<u>555,480</u>
<b>Creditors: amounts falling due within one year</b>	10	<u>(1,027,251)</u>	<u>(697,043)</u>
<b>Net current liabilities</b>		<u>(473,453)</u>	<u>(141,563)</u>
<b>Total assets less current liabilities</b>		<u>(415,374)</u>	<u>(102,818)</u>
<b>Creditors: amounts falling due after more than one year</b>	11	<u>-</u>	<u>(3,982)</u>
<b>Net liabilities</b>		<u>(415,374)</u>	<u>(106,800)</u>
<b>Capital and reserves</b>			
Called up share capital	12	2	2
Profit and loss account	13	<u>(415,376)</u>	<u>(106,802)</u>
<b>Shareholders' funds</b>			
Equity		<u>(415,374)</u>	<u>(106,800)</u>

These financial statements were approved by the board of directors on 19 April 1999 and were signed on its behalf by:



**G Lockhart**  
*Director*



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 July 1998*

	Year ended 31 July 1998	17 month period ended 31 July 1997 £
<b>Loss the financial period</b>	(308,574)	(106,802)
	<hr/>	<hr/>
<b>Net reduction in shareholders' funds</b>	(308,574)	(106,802)
Share capital subscribed	-	2
	<hr/>	<hr/>
<b>Opening shareholders' funds</b>	(308,574)	(106,800)
	(106,800)	-
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	(415,374)	(106,800)
	<hr/> <hr/>	<hr/> <hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### ***Basis of preparation***

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The parent company, Thermwood Corporation has agreed to provide Thermwood (Europe) Limited with necessary working capital for at least one year from 30 March 1999 and accordingly these financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments to that would result should the company be unable to continue trading. If the company were unable to continue to trade adjustments would have to be made to reduce the value of assets to their recoverable amounts and to reclassify fixed assets as current assets.

The company is exempt from the requirement of Financial Reporting Standard No 1 to prepare a cashflow statements as it is a wholly owned subsidiary undertaking of Thermwood Corporation, and its cash flows are included within the consolidated cash flow statement of that company.

As the company is a wholly owned subsidiary of Thermwood Corporation, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Thermwood Corporation, within which this company is included, can be contained from the address given in note 16.

#### ***Fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold buildings	-	life of lease
Plant and machinery	-	3-6 years
Motor vehicles	-	3 years

#### ***Foreign currencies***

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

#### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### ***Stocks***

Stocks are stated at the lower of cost and net realisable value.

## Notes (continued)

### Accounting policies (continued)

#### *Taxation*

The charge for taxation is based on the result for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

### 2 Analysis of turnover

All turnover derives from sales within Europe.

### 3 Loss on ordinary activities before taxation

	Year ended 31 July 1998 £	17 Months ended 31 July 1997 £
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	4,250	4,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	7,389	5,083
Leased	3,330	3,251
Hire of other assets - operating leases		17,750
Directors emoluments	44,313	44,044
Exchange losses	10,723	-
<i>after crediting</i>		
Exchange gains	-	6,935

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	1998	1997
Management	2	2
Demonstration and marketing	6	3
	<hr/>	<hr/>
	8	5
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 July 1998 £	17 Months ended 31 July 1997 £
Wages and salaries	184,770	90,520
Social security costs	14,669	4,264
	<hr/>	<hr/>
	199,439	94,784
	<hr/>	<hr/>

### 5 Other interest receivable and similar income

	Year ended 31 July 1998 £	17 Months ended 31 July 1997 £
Net exchange gains	-	6,935
Bank interest receivable	2,409	1,966
	<hr/>	<hr/>
	2,409	8,901
	<hr/>	<hr/>

## Notes (continued)

### 6 Interest payable and similar charges

	Year ended 31 July 1998 £	17 Months ended 31 July 1997 £
Bank interest	129	-
Other interest	57,873	-
Finance charges payable in respect of finance leases and hire purchase	628	185
Exchange losses	10,723	-
	<u>69,353</u>	<u>185</u>

### 7 Tangible fixed assets

	Property improvements £	Plant and machinery £	Motor vehicles £	Total £
<b>Cost</b>				
At beginning of year	9,523	27,804	9,752	47,079
Additions	-	30,052	-	30,052
Transfers	3,933	(4,172)	239	-
	<u>13,456</u>	<u>53,684</u>	<u>9,991</u>	<u>77,131</u>
At end of period	13,456	53,684	9,991	77,131
<b>Depreciation</b>				
At beginning of year	-	5,083	3,251	8,334
Charge for period	1,890	5,498	3,330	10,718
Transfers	-	-	-	-
	<u>1,890</u>	<u>10,581</u>	<u>6,581</u>	<u>19,052</u>
At end of year	1,890	10,581	6,581	19,052
<b>Net book value</b>				
At 31 July 1997	11,566	43,103	3,410	58,079
	<u>11,566</u>	<u>43,103</u>	<u>3,410</u>	<u>58,079</u>
At 31 July 1998	9,523	22,721	6,501	38,745
	<u>9,523</u>	<u>22,721</u>	<u>6,501</u>	<u>38,745</u>

Included in the total net book value of motor vehicles is £3,410 in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £3,330.

**Notes (continued)**

**8 Stocks**

	1998 £	1997 £
Finished goods and goods for resale	272,968	110,887

**9 Debtors**

	1998 £	1997 £
Trade debtors	13,483	108,763
Other debtors	2,775	5,719
Prepayments and accrued income	214,780	71,129
	231,038	185,611

**10 Creditors: amounts falling due within one year**

	1998 £	1997 £
Obligations under finance leases and hire purchase contracts (note 11)	3,767	3,586
Trade creditors	53,008	-
Amounts owed to group undertakings	893,470	594,736
Taxation and social security	21,862	2,682
Accruals and deferred income	55,144	96,039
	1,027,251	697,043

## Notes (continued)

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

	1998 £	1997 £
Obligations under finance leases and hire purchase contracts	-	3,982
	<u>          </u>	<u>          </u>
<b>Analysis of debt:</b>		
	1998 £	1997 £
Debt can be analysed as falling due:		
In one year or less, or on demand	1,027,251	598,322
Between one and two years	-	3,982
	<u>          </u>	<u>          </u>
	<b>1,027,251</b>	<b>602,304</b>
	<u>          </u>	<u>          </u>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1998 £	1997 £
Within one year	3,965	4,429
In the second to fifth years	-	4,070
	<u>          </u>	<u>          </u>
	3,965	8,499
Less future finance charges	(198)	(931)
	<u>          </u>	<u>          </u>
	<b>3,767</b>	<b>7,568</b>
	<u>          </u>	<u>          </u>

### 12 Called up share capital

	1998 £	1997 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	2	2
	<u>          </u>	<u>          </u>

## Notes (continued)

### 13 Profit and loss account

	<b>Profit and loss account £</b>
Retained loss brought forward	(106,802)
Retained loss for the year	(308,574)
	<hr/>
At end of year	(415,376)
	<hr/> <hr/>

### 14 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	<b>1998 Land and buildings £</b>	<b>1997 Land and buildings £</b>
Operating leases which expire:		
In the second to fifth years inclusive	17,750	17,750
	<hr/> <hr/>	<hr/> <hr/>

### 15 Related party disclosures

The company is controlled by Thermwood Corporation incorporated in the USA. The ultimate controlling party is KJ Susnjara, the major shareholder in the parent company.

### 16 Ultimate parent company and parent undertaking of larger group of which the company is a member

The largest group in which the results of the company are consolidated is that headed by Thermwood Corporation incorporated in the USA. The consolidated accounts of this company are available to the public and may be obtained from PO Box 436, Dale, Indiana, IN475 23, USA. No other group accounts include the results of the company.