

Thermwood (Europe) Limited

Directors' report and financial
statements

Registered number 3168991

31 July 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 July 2001.

Principal activity

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

Result for the year

The loss of £56,852 for the year has been absorbed by the company.

Proposed dividend

The directors cannot recommend the payment of a dividend.

Directors and directors' interests

The directors who held office during the year 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 interests of the directors, including options, are disclosed in the directors report of the parent company.

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

21st September 2001

Statement of directors' responsibilities

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 and of the profit or loss 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 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.



Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

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

We have audited the financial statements on pages 4 to 13.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you 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.

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 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG
Chartered Accountants
Registered Auditors

19 September 2001

Profit and loss account
for the year ended 31 July 2001

	<i>Note</i>	2001 £	2000 £
Turnover - continuing operations	2	1,235,412	1,278,567
Cost of sales		(762,303)	(859,340)
Gross profit		473,109	419,227
Administrative expenses (including exceptional costs of £nil (2000: £79,564))	4	(425,001)	(451,676)
Operating profit/(loss) - continuing operations		48,108	(32,449)
Other interest receivable and similar income	6	8	12
Interest payable and similar charges	7	(104,968)	(123,727)
Loss on ordinary activities before taxation	3-7	(56,852)	(156,164)
Tax on loss on ordinary activities		-	-
Loss for the year		(56,852)	(156,164)

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 2001

	Note	£	2001 £	£	2000 £
Fixed assets					
Tangible assets	8		30,855		41,235
Current assets					
Stocks	9	229,165		353,976	
Debtors	10	79,372		247,797	
Cash at bank and in hand		44,791		-	
		353,328		601,773	
Creditors: amounts falling due within one year	11	(1,078,098)		(1,280,071)	
Net current liabilities			(724,770)		(678,298)
Net liabilities			(693,915)		(637,063)
Capital and reserves					
Called up share capital	13		62,290		62,290
Profit and loss account	14		(756,205)		(699,353)
Shareholders' funds			(693,915)		(637,063)
Equity			(693,915)		(637,063)

These financial statements were approved by the board of directors on *19th September* 2001 and were signed on its behalf by:



G Lockhart
 Director

Reconciliation of movements in shareholders' funds
for the year ended 31 July 2001

	2001 £	2000 £
Loss for the financial year	(56,852)	(156,164)
Opening shareholders' funds	(637,063)	(480,899)
	<hr/>	<hr/>
Closing shareholders' funds	(693,915)	(637,063)
	<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 5 September 2001 and accordingly these financial statements have been prepared on a going concern basis. The financial statements do not include any adjustments 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 statement 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 obtained from the address given in note 17.

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 building improvements	-	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)*

1 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

	2001	2000
	£	£
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	4,600	4,500
Other services	1,250	1,250
Depreciation and other amounts written off tangible fixed assets:		
Owned	15,550	14,492
Directors emoluments	52,972	47,421
Exchange losses	76,028	79,153
<i>after crediting</i>		
Profit on sale of fixed assets	748	2,000

4 Exceptional item

The exceptional item in 2000 related to the full costs of a successful legal action against the company.

Notes *(continued)*

5 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	
	2001	2000
Management	2	2
Demonstration and marketing	4	3
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	6	5
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	173,241	162,964
Social security costs	17,524	16,155
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	190,765	179,119
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

6 Other interest receivable and similar income

	2001	2000
	£	£
Bank interest receivable	8	12
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

Notes (continued)

7 Interest payable and similar charges

	2001 £	2000 £
Bank interest	29	1,072
Other interest	28,911	43,502
Exchange losses	76,028	79,153
	104,968	123,727

8 Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At beginning of year	15,968	56,014	9,107	81,089
Additions	-	6,922	-	6,922
Disposals	-	(2,380)	-	(2,380)
	15,968	60,556	9,107	85,631
<i>Depreciation</i>				
At beginning of year	7,898	30,438	1,518	39,854
Charge for year	2,661	9,853	3,036	15,550
Disposals	-	(628)	-	(628)
	10,559	39,663	4,554	54,776
<i>Net book value</i>				
At 31 July 2001	5,409	20,893	4,553	30,855
At 31 July 2000	8,070	25,576	7,589	41,235
<i>Depreciation in 2000</i>	2,661	10,233	1,598	14,492

Notes *(continued)*

9 Stocks

	2001	2000
	£	£
Finished goods and goods for resale	229,165	353,976
	<u> </u>	<u> </u>

10 Debtors

	2001	2000
	£	£
Trade debtors	45,294	231,166
Other debtors	6,398	4,969
Prepayments and accrued income	27,680	11,662
	<u> </u>	<u> </u>
	79,372	247,797
	<u> </u>	<u> </u>

11 Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank overdraft	-	12,408
Trade creditors	3,649	40,488
Amounts owed to group undertakings	879,813	1,142,468
Taxation and social security	5,501	4,052
Accruals and deferred income	189,135	80,655
	<u> </u>	<u> </u>
	1,078,098	1,280,071
	<u> </u>	<u> </u>

12 Provisions for liabilities and charges

The amounts provided for deferred taxation and the amounts not provided are set out below:

	2001		2000	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Difference between accumulated depreciation and capital allowances	-	180	-	725
Other timing differences	-	(101,480)	-	(97,276)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	(101,300)	-	(96,551)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

13 Called up share capital

	2001 £	2000 £
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	500,000	500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Ordinary shares of £1 each	62,290	62,290
	<hr/>	<hr/>

14 Profit and loss account

	Profit and loss account £
Loss at beginning of year	(699,353)
Loss for the year	(56,852)
	<hr/>
Loss at end of year	(756,205)
	<hr/>

15 Commitments

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

	2001 Land and buildings £	2000 Land and Buildings £
Operating leases which expire:		
Within one year	19,000	-
In the second to fifth years inclusive	-	17,750
	<hr/>	<hr/>
	19,000	17,750
	<hr/>	<hr/>

16 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.

Notes *(continued)*

17 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.