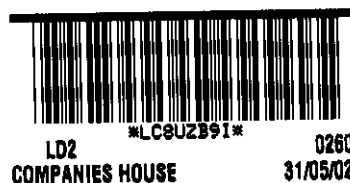


PENTHAM POWERSPRING LIMITED

Financial Statements - 31 July 2001

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PENTHAM POWERSPRING LIMITED

General Information

DIRECTORS: C I Lepper
T F Clarke
H R Amini

SECRETARY: C I Lepper

REGISTERED OFFICE: Unit 8F, Barton Business Park
New Dover Road
CANTERBURY
Kent
CT1 3AA

AUDITORS: Mazars Neville Russell
37 Frederick Place
BRIGHTON
BN1 4EA

COMPANY NUMBER: 3394741

PENTHAM POWERSPRING LIMITED

Directors' Report

The directors present their report and the financial statements for the year ended 31 July 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 of the company for that year. In preparing those financial statements, the directors are required to:

- select suitable United Kingdom accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of a holding company.

DIRECTORS

The following directors have held office for the whole of the year since 1 August 2000 to the date of this report unless otherwise stated:

C I Lepper
T F Clarke
H R Amini

DIRECTORS' INTERESTS

The interests of the directors holding office on 31 July 2001 in the shares of the company, according to the register of directors' interests, were as shown below:

	Ordinary shares of 1p each	
	31 July 2001	1 August 2000
C I Lepper	21,617	12,577
T F Clarke	114,177	30,000
H R Amini	55,583	11,750

PENTHAM POWERSPRING LIMITED

Directors' Report (continued)

POST BALANCE SHEET EVENT

The company has allotted a total of 57,369 ordinary shares for total consideration of £186,369 by means of rights issue.

It was also agreed that the loan of £125,000 from T Clarke be converted into 31,250 ordinary shares at a premium of £3.99 per share.

AUDITORS

A resolution to re-appoint Mazars Neville Russell as auditors will be proposed at the forthcoming annual general meeting.

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

Approved by the board on 24/5/02
and signed on its behalf by



C I Lepper
Secretary

Unit 8F, Barton Business Park
New Dover Road
CANTERBURY
Kent
CT1 3AA

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PENTHAM POWERSPRING LIMITED

We have audited the financial statements of Pentham Powerspring Limited for the year ended 31 July 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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. 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs 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.

Mazars Neville Russell

MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors

37 Frederick Place
BRIGHTON
BN1 4EA

29 May 2002

PENTHAM POWERSPRING LIMITED

Profit and Loss Account For the Year Ended 31 July 2001

	Notes	2001 £	2000 £
Administrative expenses		(6)	(35)
OPERATING LOSS		(6)	(35)
Interest payable and similar charges		(7,704)	(9,575)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(7,710)	(9,610)
Tax on loss on ordinary activities		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION	8	£(7,710)	£(9,610)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

The company has no recognised gains or losses other than the loss for the year.

The loss on ordinary activities before taxation and the retained loss have been calculated on the historical cost basis.

PENTHAM POWERSPRING LIMITED

Balance Sheet at 31 July 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Investments	4		575,231		487,949
CURRENT ASSETS					
Cash at bank		7		45	
CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR	5	(150,000)		(95,670)	
NET CURRENT LIABILITIES			(149,993)		(95,625)
TOTAL ASSETS LESS CURRENT LIABILITIES			425,238		392,324
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	6		(41,668)		(191,667)
			<u>£383,570</u>		<u>£200,657</u>
CAPITAL AND RESERVES					
Called up share capital	9		2,906		1,000
Share premium account	10		401,333		212,616
Profit and loss account	10		(20,669)		(12,959)
SHAREHOLDERS' FUNDS - EQUITY SHARES			<u>£383,570</u>		<u>£200,657</u>

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

Approved by the board on 29/5/2002, and signed on its behalf by



C I Lepper - Director

**Notes to the Financial Statements
For the Year Ended 31 July 2001**

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards.

(a) Accounting convention

The financial statements are prepared under the historical cost convention.

(b) Basis of preparation

The directors have received assurances from the ultimate parent undertaking that adequate financial resources will continue to be made available to meet the company's requirements for working capital.

Accordingly, the directors consider that the financial statements are properly drawn up on the going concern basis.

(c) Investments

Fixed asset investments are stated at cost less provision for diminution in value.

(d) Deferred taxation

Deferred tax is provided at appropriate rates on all timing differences using the liability method to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 EXEMPTION FROM PREPARING GROUP ACCOUNTS

The group is exempt from preparing consolidated accounts as it qualifies as a small group. Therefore the parent company's financial statements contain information which relates solely to the parent company and not the group as a whole.

3 DIRECTORS' TRANSACTIONS

None of the directors received any remuneration from the company during the year.

PENTHAM POWERSPRING LIMITED

Notes to the Financial Statements For the Year Ended 31 July 2001

4 FIXED ASSET INVESTMENTS

	Shares in group undertakings £	Loans to group undertakings £	Total £
COST			
At 1 August 2000	3,850	484,099	487,949
Additions	-	87,282	87,282
	<hr/>	<hr/>	<hr/>
At 31 July 2001	£3,850	£571,381	£575,231
	<hr/>	<hr/>	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is fairly stated at the balance sheet date. The directors are confident that the loans will be repaid in full.

The above investments are unlisted.

Name	Country of registration or incorporation	Class	Shares held %
Pentham Limited	England & Wales	Ordinary £1	100
Kineteco International Limited	England & Wales	Ordinary £1	100

On 30 July 1997 Pentham Powerspring Limited acquired the entire issued share capital of both Pentham Limited and Kineteco International Limited by the issue of shares.

Additional information on subsidiary undertaking:

Name	Principal activity	Capital and reserves	Loss for the year
Pentham Limited	Research & development	(66,215)	(1,264)
Kineteco International Limited	Manufacturing	(307,900)	(74,434)

PENTHAM POWERSPRING LIMITED

Notes to the Financial Statements For the Year Ended 31 July 2001

5 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank loans and overdrafts	25,000	25,000
Other creditors	125,000	70,670
	<u>£150,000</u>	<u>£95,670</u>

Other creditors

Other creditors represents a loan secured by a fixed and floating charge over all the assets of the company and its subsidiaries in favour of T F Clarke. After the year end, it was agreed that this loan be converted into 31,250 ordinary shares at a premium of £3.99 per share.

6 CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2001 £	2000 £
Bank loans	41,668	66,667
Other loans	-	125,000
	<u>£41,668</u>	<u>£191,667</u>

Analysis of loans

Wholly repayable within five years	<u>£41,668</u>	<u>£191,667</u>
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Bank loan

The bank loan to the company of £100,000 is repayable by forty eight equal monthly instalments of £2,083.34 each. The bank loan is secured by an unlimited debenture over the subsidiary companies.

7 SHARE CAPITAL

	2001	2000
Authorised Ordinary shares of 1p each	<u>£5,000</u>	<u>£5,000</u>
Allotted, called up and fully paid 100,000 Ordinary shares of 1p each	<u>£2,906</u>	<u>£1,000</u>

PENTHAM POWERSPRING LIMITED

Notes to the Financial Statements For the Year Ended 31 July 2001

8 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Profit and loss account £	Share capital £	Share premium account £	Total shareholders' funds £
Balance at 1 August 1999	(3,349)	1,000	212,616	210,267
Loss for the year	(9,610)	-	-	(9,610)
Balance at 1 August 2000	(12,959)	1,000	212,616	200,657
Shares issued in the year	-	1,906	188,717	190,623
Loss for the year	(7,710)	-	-	(7,710)
Balance at 31 July 2001	£(20,669)	£2,906	£401,333	£383,570

During the year the following shares were allotted by means of a rights issue:

18 October 2000	100,000 ordinary shares of £0.01 were issued for £1.00 cash
2 February 2001 - 9 April 2001	60,303 ordinary shares of £0.01 were issued for £1.00 cash
30 July 2001	30,320 ordinary shares of £0.01 were issued for £1.00 cash

9 POST BALANCE SHEET EVENT

The company has allotted a total of 57,369 ordinary shares for total consideration of £186,369 by means of rights issue.

It was also agreed that the loan of £125,000 from T Clarke be converted into 31,250 ordinary shares at a premium of £3.99 per share.