

3DM Group Limited

Report and Financial Statements

Year Ended

31 December 2005



3DM Group Limited

Annual report and financial statements for the year ended 31 December 2005

Contents

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Balance sheet
7	Notes forming part of the financial statements

Directors

K W Brooks
N J MacKay

Secretary and registered office

Battlebridge Secretaries Limited, Unit 3, Bedwas House, Bedwas House Industrial Estate,
Greenway, Bedwas, CF83 8DW

Company number

4194516

Auditors

BDO Stoy Hayward LLP, 125 Colmore Row, Birmingham, B3 3SD

3DM Group Limited

Report of the directors for the year ended 31 December 2005

The directors present their report together with the audited financial statements for the year ended 31 December 2005.

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The principal activity of 3DM Group Ltd is the development and exploitation of the plastic powder impression moulding systems. The core activity remains the sale of licences and establishment of royalty streams, with the production line in Bedwas House being used for demonstration and development tasks. Additionally line capacity is used for toll manufacturing.

The company has since the year end secured 3 contracts for toll manufacture at Bedwas with a further 3 companies funding product development. Commercial production will ramp up during the final quarter of 2006.

In addition the company is in advanced discussion on the sale of production facilities to 4 parties. These discussions are likely to come to a head by 31 December 2006.

Research and development

The company has adopted a prudent accounting policy with regard to research and development generally, writing all these off as expenses through the profit and loss account.

Financial instruments

Details of the use of financial instruments by the company are contained in note 17 to the financial statements.

Directors

The directors of the company during the year were:

Mr K W Brooks

Mr S Wiper (Resigned 17 August 2006)

Mr P R Aylemore (Resigned 31 December 2005)

Mr N J MacKay (Appointed 31 October 2005)

No director had any beneficial interest in the share capital of the company. Mr K W Brooks and Mr N J MacKay are also directors of the company's parent company, 3DM Worldwide Plc and their interests in the share capital of that company are disclosed in its financial statements.

3DM Group Limited

Report of the directors for the year ended 31 December 2005 (*continued*)

Directors *continued*

Mr S Wiper has options to acquire 250,000 ordinary shares in the parent company, 3DM Worldwide Plc. The options were granted on 18 June 2003 and are exercisable at 15 pence per share for a period of 5 years from that date.

Mr P Aylemore has options to acquire the following shares in the parent company, 3DM Worldwide Plc;

Number of shares	Exercise price	Date of grant	Length of option
500,000	36p	14/2/03	5 years
400,000	62p	30/9/03	5 years
780,000	15p	18/6/03	5 years

Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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 year. 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; 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 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.

Auditors

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

On behalf of the board



K W Brooks
Director

Date: 30/10/06

3DM Group Limited

Report of the independent auditors

To the shareholders of 3DM Group Limited

We have audited the financial statements of 3DM Group Limited for the year ended 31 December 2005, which comprise the profit and loss account, the balance sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. 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 other transactions 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.

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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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.

3DM Group Limited

Report of the independent auditors (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

Chartered Accountants

and Registered Auditors

Birmingham

Date:

3DM Group Limited**Profit and loss account for the year ended 31 December 2005**

	Note	2005 £	2004 £
Administrative expenses		(2,464,805)	(766,468)
Other operating income		<u>85,492</u>	-
Operating loss	2	(2,379,313)	(766,468)
Other interest receivable and similar income		-	391
Interest payable and similar charges	5	(229,138)	(3,417)
		<u></u>	<u></u>
Loss on ordinary activities before taxation for the financial year		(2,608,451)	(769,494)
Taxation on loss on ordinary activities	6	<u>35,162</u>	-
Loss on ordinary activities after taxation for the financial year		(2,573,289)	(769,494)
Accumulated loss brought forward		(769,494)	-
Accumulated loss carried forward		<u>(3,342,783)</u>	<u>(769,494)</u>

All amounts relate to continuing activities.

All recognised gains and losses in the current and prior year are included in the profit and loss account.

There are no movements in shareholder's funds in the current and prior year apart from the loss for the year.

The notes on pages 7 to 13 form part of these financial statements.

3DM Group Limited

Balance sheet at 31 December 2005

	Note	2005 £	2005 £	2004 £	2004 £
Called up share capital not paid			2		2
Fixed assets					
Tangible assets	7		4,765,539		2,084,117
Fixed asset investments	8		4		4
			<u>4,765,545</u>		<u>2,084,123</u>
Current assets					
Debtors	9	741,959		256,752	
Cash at bank and in hand		<u>156</u>		<u>119</u>	
		742,115		256,871	
Creditors: amounts falling due within one year	10	<u>3,521,082</u>		<u>1,096,755</u>	
Net current liabilities			(2,778,967)		(839,884)
Total assets less current liabilities			1,986,578		1,244,239
Creditors: amounts falling due after more than one year	11		5,329,359		2,013,731
			<u>(3,342,781)</u>		<u>(769,492)</u>
Capital and reserves					
Called up share capital	12		2		2
Profit and loss account			(3,342,783)		(769,494)
Shareholder's funds			<u>(3,342,781)</u>		<u>(769,492)</u>

The financial statements were approved and authorised for issue on 30/10/06

K W Brooks

K W Brooks
Director

The notes on pages 7 to 13 form part of these financial statements.

1 Accounting policies

The financial statements have been prepared under the historical cost convention.

The following principal accounting policies have been applied:

Going concern

The directors of the company's parent company, 3DM Worldwide Plc, have confirmed that sufficient financial support will be provided by the group to enable this company to continue operations and accordingly the financial statements are prepared on a going concern basis.

Consolidated financial statements

The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its parent. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by 3DM Worldwide Plc and the company is included in consolidated financial statements.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Plant and machinery	- 15% reducing balance
Computer Equipment	- 33% reducing balance
Office equipment	- 25% reducing balance

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Financial instruments

Details of the financial risk management objectives and policies and details of the use of financial instruments by the company are provided in note 17 to the financial statements.

3DM Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005

Leased assets

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 during the lease term. 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. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it 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.

2 Operating loss

	2005 £	2004 £
This is arrived at after charging;		
Research & development	6,673	3,742
Depreciation of tangible fixed assets	561,929	11,459
Hire of plant & machinery – operating leases	148,967	11,864
Audit services	3,000	3,000

3 Employees

Staff costs (including directors) consist of:

	2005 £	2004 £
Wages and salaries	550,904	326,683
Social security costs	63,583	39,100
	<u>614,487</u>	<u>365,783</u>

The average number of employees (including directors) during the year was as follows:

	2005 Number	2004 Number
Production staff	9	2
Administrative staff	4	3
Management Staff	4	4
	<u>17</u>	<u>9</u>

3DM Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005

4 Directors' remuneration

	2005 £	2004 £
Directors' emoluments	<u>321,677</u>	<u>215,250</u>

The total amount payable to the highest paid director in respect of emoluments was £120,000 (2004 - £120,000).

5 Interest payable and similar charges

	2005 £	2004 £
Bank overdraft	4,856	3,417
Finance leases and hire purchase contracts	26,429	-
Loan interest	197,853	-
	<u>229,138</u>	<u>3,417</u>

6 Taxation on loss on ordinary activities

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

	2005 £	2004 £
Loss on ordinary activities before tax	<u>(2,608,451)</u>	<u>(769,494)</u>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	(782,535)	(230,848)
Effect of:		
Expenses not deductible for tax purposes	21,925	21,034
Depreciation for period in excess of capital allowances	147,167	3,438
Research and development refund	(35,162)	-
Tax losses carried forward	613,443	206,376
Current tax credit for period	<u>(35,162)</u>	<u>-</u>

3DM Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005

7 Tangible fixed assets

	Plant and machinery £	Computer equipment £	Assets under construction £	Total £
<i>Cost</i>				
At 1 January 2005	488,101	11,305	1,596,170	2,095,576
Additions	4,902,198	14,447	(1,596,170)	3,318,975
Intercompany transfer	98,690	-	-	98,690
Disposals	(185,315)	-	-	(185,315)
At 31 December 2005	5,303,674	25,752	-	5,327,926
<i>Depreciation</i>				
At 1 January 2005	10,736	723	-	11,459
Charge for the year	565,824	5,789	-	561,929
Intercompany transfer	9,684	-	-	9,684
Disposals	(19,185)	-	-	(19,185)
At 31 December 2005	557,375	6,512	-	563,887
<i>Net book value</i>				
At 31 December 2005	4,746,299	19,240	-	4,765,539
At 31 December 2004	477,365	10,582	1,596,170	2,084,117

The net book value of tangible fixed assets include an amount of £3,845,653 (2004: £nil) in respect of assets held under finance leases. The related depreciation charge to these assets for the year was £548,769 (2004: £nil).

The assets under construction at 1 January 2005 relates to the Alpha line. The Alpha line was completed during the year as was the construction of the Beta line and both lines were subsequently sold and then leased back under a finance lease arrangement. As the substance of these transactions are substantially secured loans, the book value of these assets is maintained and the loan recorded in creditors.

8 Fixed asset investments

	Group Undertakings £
<i>Cost</i>	
At 1 January 2005 and 31 December 2005	4

The fixed asset investment relates to 3DM Global Marketing Limited (a non-trading company).

3DM Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005

9 Debtors

	2005	2004
	£	£
Trade debtors	377,891	-
Other debtors	183,441	246,229
VAT	117,636	-
Prepayments and accrued income	62,991	10,523
	<u>741,959</u>	<u>256,752</u>

All amounts shown under debtors fall due for payment within one year.

10 Creditors: amounts falling due within one year

	2005	2004
	£	£
Bank overdraft (secured)	172,852	23,538
Other loans	2,218,569	-
Trade creditors	669,969	480,775
Taxation and social security	19,701	16,090
Other creditors	5,879	4
Accruals and deferred income	186,960	576,348
Finance leases	247,152	-
	<u>3,521,082</u>	<u>1,096,755</u>

The bank overdraft is secured on the assets of the company.

3DM Group Limited

Notes forming part of the financial statements for the year ended 31 December 2005

11 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	2,613,097	2,013,731
Finance leases	3,073,109	-
	<u>5,329,359</u>	<u>2,013,731</u>

Financial liabilities are due:

	Bank overdraft 2005 £	Finance leases 2005 £	Other loans 2005 £	Total 2005 £
In one year or less, or on demand	172,852	247,152	2,218,569	2,638,573
In more than one year but not more than two years	-	340,685	-	340,685
In more than two years but not more than five years	-	308,580	-	308,580
In more than five years	-	2,423,844	-	2,423,844
		<u>3,073,109</u>		<u>3,073,109</u>

12 Share capital

	2005 £	Authorised 2004 £	Allotted, called up and fully paid 2005 £	2004 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	100	100	2	2

13 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2005 Other £	2004 Other £
Operating leases which expire:		
Within one year	29,068	36,642
In one to two years	18,561	29,068
After two to five years	-	18,561
	<u>47,629</u>	<u>84,271</u>

14 Provision for liabilities and charges

The company has an un-provided deferred tax asset on losses carried forward of £793,267 (2004 - £206,376). Tax losses carried forward at 31 December 2005 are subject to agreement with the Inland Revenue.

15 Related party disclosures

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related party disclosures" not to disclose transactions with members of the group headed by 3DM Worldwide Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in consolidated financial statements.

16 Ultimate parent company and parent undertaking of larger group

The largest and smallest group in which the results of the company are consolidated is that headed by 3DM Worldwide Plc, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House.

17 Financial instruments

The company holds financial instruments to finance its operations and manages risk arising from these operations and its sources of finance in accordance with its accounting policies.

In addition, various financial instruments such as trade debtors and trade creditors arise directly from the company's operations. The company performs credit checks for all significant customers to minimise bad debt risk.

Operations and working capital requirements are funded periodically out of short term banking facilities and intercompany loans.

The company utilises assets subject to hire purchase agreements. These borrowings are stated at fair value of consideration received.

The interest payable on hire purchase agreements are charged to the profit and loss account over the life of the agreement.

All hire purchase borrowings at the year end were at fixed rates, repayable on demand and denominated in £ sterling.

All other borrowings at the year end were at floating rates repayable on demand and denominated in £ sterling.

An analysis of financial liabilities is set out in note 11.