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Report of the Directors and
Financial Statements for the Year Ended 31 March 1998
for
Future Alignments Ltd.

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Index to the Financial Statements
for the Year Ended 31 March 1998

| | Page |
|-------------------------------------|------|
| Company Information | 1 |
| Report of the Directors | 2 |
| Report of the Auditors | 3 |
| Profit and Loss Account | 4 |
| Balance Sheet | 5 |
| Notes to the Financial Statements | 6 |
| Trading and Profit and Loss Account | 9 |

Company Information
for the Year Ended 31 March 1998

| | |
|---------------------------|--|
| DIRECTORS: | G Stephen R Stephen I McCormick |
| SECRETARY: | Brown & McRae |
| REGISTERED OFFICE: | Anderson House 9-45 Frithside Street Fraserburgh Aberdeenshire AB43 5AB |
| REGISTERED NUMBER: | SC149451 (Scotland) |
| AUDITORS: | Alpha Business Services Chartered Accountant Inverebrie Ellon Aberdeenshire AB41 8PX |
| BANKERS: | Bank of Scotland Broad Street Peterhead |
| SOLICITORS: | Brown & McRae Anderson House 9 - 15 Firthside Street Fraserburgh Aberdeenshire AB43 5AB |

Report of the Directors
for the Year Ended 31 March 1998

The directors present their report with the financial statements of the company for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES

The principal activities of the company in the year under review were those of the design and marketing of alignment tools.

DIRECTORS

The directors during the year under review were:

- G Stephen
- R Stephen
- I McCormick

The beneficial interests of the directors holding office on 31 March 1998 in the issued share capital of the company were as follows:

| | | |
|---------------------------|----------------|---------------|
| | 31.3.98 | 1.4.97 |
| Ordinary £1 shares | | |
| G Stephen | 75 | 75 |
| R Stephen | 75 | 75 |
| I McCormick | 75 | 75 |

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 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.

AUDITORS

The auditors, Alpha Business Services, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

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

ON BEHALF OF THE BOARD:


 I McCormick - DIRECTOR

Dated: 29 - 3 - 99

Report of the Auditors to the Shareholders of
Future Alignments Ltd.

We have audited the financial statements on pages four to eight which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention and the accounting policies set out on page six.

Respective responsibilities of directors and auditors

As described on page two 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Alpha Business Services
Chartered Accountant
Inverebrie
Ellon
Aberdeenshire
AB41 8PX

Dated: 29.3.99

Future Alignments Ltd.

Profit and Loss Account
for the Year Ended 31 March 1998

| | | 31.3.98 | 31.3.97 |
|---|-------|-----------|-----------|
| | Notes | £ | £ |
| TURNOVER | 2 | 417,525 | 39,826 |
| Cost of sales | | 255,930 | - |
| GROSS PROFIT | | 161,595 | 39,826 |
| Administrative expenses | | 128,364 | 111,965 |
| | | 33,231 | (72,139) |
| Other operating income | | 3,687 | 7,604 |
| OPERATING PROFIT/(LOSS) | 3 | 36,918 | (64,535) |
| Interest payable and similar charges | | 6,609 | 3,742 |
| PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION | | 30,309 | (68,277) |
| Tax on profit/(loss) on ordinary activities | 4 | - | - |
| PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION | | 30,309 | (68,277) |
| Deficit brought forward | | (98,548) | (30,271) |
| DEFICIT CARRIED FORWARD | | £(68,239) | £(98,548) |

The notes form part of these financial statements

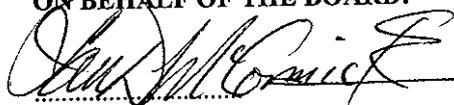
Future Alignments Ltd.

Balance Sheet
31 March 1998

| | | 31.3.98 | | 31.3.97 | |
|--|-------|----------------|-----------------|---------------|------------------|
| | Notes | £ | £ | £ | £ |
| FIXED ASSETS: | | | | | |
| Intangible assets | 5 | | 48,498 | | 34,035 |
| Tangible assets | 6 | | <u>1,913</u> | | <u>464</u> |
| | | | 50,411 | | 34,499 |
| CURRENT ASSETS: | | | | | |
| Stocks | | 16,597 | | 10,000 | |
| Debtors | 7 | 121,480 | | 16,675 | |
| Cash at bank and in hand | | <u>2,560</u> | | - | |
| | | 140,637 | | <u>26,675</u> | |
| CREDITORS: Amounts falling due within one year | 8 | <u>181,637</u> | | <u>76,072</u> | |
| NET CURRENT LIABILITIES: | | | <u>(41,000)</u> | | <u>(49,397)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES: | | | 9,411 | | (14,898) |
| CREDITORS: Amounts falling due after more than one year | 9 | | <u>15,000</u> | | <u>21,000</u> |
| | | | <u>£(5,589)</u> | | <u>£(35,898)</u> |
| CAPITAL AND RESERVES: | | | | | |
| Called up share capital | 11 | | 300 | | 300 |
| Share premium | 12 | | 62,350 | | 62,350 |
| Profit and loss account | | | <u>(68,239)</u> | | <u>(98,548)</u> |
| Shareholders' funds | | | <u>£(5,589)</u> | | <u>£(35,898)</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 and with the Financial Reporting Standard for Smaller Entities.

ON BEHALF OF THE BOARD:



I McCormick - DIRECTOR

Approved by the Board on 29-3-99

The notes form part of these financial statements

Notes to the Financial Statements
for the Year Ended 31 March 1998

1. **ACCOUNTING POLICIES**

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

| | |
|-----------------------|---------------|
| Plant and machinery | - 15% on cost |
| Fixtures and fittings | - 25% on cost |

Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

2. **TURNOVER**

The turnover and profit (1997 - loss) before taxation are attributable to the principal activities of the company.

3. **OPERATING PROFIT/(LOSS)**

The operating profit (1997 - operating loss) is stated after charging:

| | 31.3.98 | 31.3.97 |
|--|-------------------|-------------------|
| | £ | £ |
| Depreciation - owned assets | 370 | 107 |
| Patents and licences written off | 2,447 | - |
| Pension costs | 3,494 | - |
| | <u> </u> | <u> </u> |
| Directors' emoluments and other benefits etc | <u>52,144</u> | <u>36,000</u> |

4. **TAXATION**

No taxation liability arose for the year ended 31 March 1998 due to losses brought forward from the year ended 31 March 1997.

Notes to the Financial Statements
for the Year Ended 31 March 1998

5. **INTANGIBLE FIXED ASSETS**

| | Patents and licences |
|------------------------|-------------------------|
| | £ |
| COST: | |
| At 1 April 1997 | 34,035 |
| Additions | 18,438 |
| Disposals | (1,528) |
| | 50,945 |
| At 31 March 1998 | |
| AMORTISATION: | |
| Charge for year | 2,447 |
| | 2,447 |
| At 31 March 1998 | |
| NET BOOK VALUE: | |
| At 31 March 1998 | 48,498 |
| At 31 March 1997 | 34,035 |

6. **TANGIBLE FIXED ASSETS**

| | Plant and machinery | Fixtures and fittings | Totals |
|------------------------|------------------------|-----------------------------|--------|
| | £ | £ | £ |
| COST: | | | |
| At 1 April 1997 | 579 | 81 | 660 |
| Additions | 1,600 | 219 | 1,819 |
| | 2,179 | 300 | 2,479 |
| At 31 March 1998 | | | |
| DEPRECIATION: | | | |
| At 1 April 1997 | 176 | 20 | 196 |
| Charge for year | 300 | 70 | 370 |
| | 476 | 90 | 566 |
| At 31 March 1998 | | | |
| NET BOOK VALUE: | | | |
| At 31 March 1998 | 1,703 | 210 | 1,913 |
| At 31 March 1997 | 403 | 61 | 464 |

7. **DEBTORS: AMOUNTS FALLING
DUE WITHIN ONE YEAR**

| | | |
|---------------|---------|---------|
| | 31.3.98 | 31.3.97 |
| | £ | £ |
| Trade Debtors | 107,713 | 11,561 |
| Prepayments | 314 | - |
| V.A.T. | 13,453 | 5,114 |
| | 121,480 | 16,675 |

Notes to the Financial Statements
for the Year Ended 31 March 1998

8. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

| | | |
|-------------------------------|----------------|---------------|
| | 31.3.98 | 31.3.97 |
| | £ | £ |
| Bank loans and overdrafts | 6,000 | 58,668 |
| Trade Creditors | 168,937 | 11,944 |
| Directors Current Accounts | (786) | 2,138 |
| Social Security & Other Taxes | 5,336 | 2,722 |
| Accruals | 2,150 | 600 |
| | <u>181,637</u> | <u>76,072</u> |

9. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

| | | |
|------------|---------------|---------------|
| | 31.3.98 | 31.3.97 |
| | £ | £ |
| Bank loans | <u>15,000</u> | <u>21,000</u> |

10. **SECURED DEBTS**

The following secured debts are included within creditors:

| | | |
|-----------------|----------|---------------|
| | 31.3.98 | 31.3.97 |
| | £ | £ |
| Bank overdrafts | <u>-</u> | <u>52,668</u> |

The bank overdraft is secured by means of a bond and floating charge over all the assets of the company.

11. **CALLED UP SHARE CAPITAL**

| | | | | |
|--------------------|----------|----------------|---------------|---------------|
| Authorised: | | | | |
| Number: | Class: | Nominal value: | 31.3.98 | 31.3.97 |
| | | | £ | £ |
| 90,000 | Ordinary | £1 | 90,000 | 75,000 |
| (31.3.97 - 75,000) | | | <u>90,000</u> | <u>75,000</u> |

| | | | | |
|----------------------|-----------------|----------------|------------|------------|
| Allotted and issued: | | | | |
| Number: | Class: | Nominal value: | 31.3.98 | 31.3.97 |
| | | | £ | £ |
| 300 | Share Capital 1 | £1 | <u>300</u> | <u>300</u> |

12. **SHARE PREMIUM**

| | | |
|------------------|---------------|---------------|
| | 31.3.98 | 31.3.97 |
| | £ | £ |
| Cash Share Issue | <u>62,350</u> | <u>62,350</u> |

Trading and Profit and Loss Account
for the Year Ended 31 March 1998

| | 31.3.98 | | 31.3.97 | |
|-------------------------------|---------|---------|---------|-----------|
| | £ | £ | £ | £ |
| Income | | 417,525 | | 39,826 |
| Cost of sales: | | | | |
| Purchases | | 255,930 | | - |
| | | | | |
| GROSS PROFIT | | 161,595 | | 39,826 |
| Other income: | | | | |
| Grants Received | | 3,687 | | 7,604 |
| | | | | |
| | | 165,282 | | 47,430 |
| Expenditure: | | | | |
| Directors' Remuneration | 52,144 | | 36,000 | |
| Social Security | 5,213 | | 3,671 | |
| Pension Contributions | 3,494 | | - | |
| Telephone | 4,418 | | 1,979 | |
| Post stationery & advertising | 9,957 | | 12,140 | |
| Motor & travel expenses | 23,142 | | 9,348 | |
| Sundry Expenses | 1,221 | | 786 | |
| Licences & Insurance | 3,637 | | 932 | |
| Entertaining | 2,743 | | 647 | |
| Patent & Licences Costs | 1,528 | | 3,517 | |
| Materials & Subcontract Costs | - | | 40,587 | |
| Sundry Expenses | (1) | | - | |
| Accountancy | 4,150 | | 1,550 | |
| Professional Fees | 7,680 | | - | |
| Legal & Professional | 2,913 | | 161 | |
| Bad Debts | 1,700 | | - | |
| Rent | 1,608 | | 450 | |
| Heat & Light | - | | 90 | |
| | | 125,547 | | 111,858 |
| | | 39,735 | | (64,428) |
| Finance costs: | | | | |
| Bank Interest | 4,985 | | 3,027 | |
| Loan Interest | 1,429 | | 715 | |
| Bank Interest & Charges | 195 | | - | |
| | | 6,609 | | 3,742 |
| | | 33,126 | | (68,170) |
| Depreciation: | | | | |
| Plant & Machinery | 300 | | 87 | |
| Fixtures & Fittings | 70 | | 20 | |
| Patents & Licences | 2,447 | | - | |
| | | 2,817 | | 107 |
| NET PROFIT/(LOSS) | | £30,309 | | £(68,277) |

This page does not form part of the statutory financial statements