

ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

FOR

SPECIALIST TECHNOLOGIES LIMITED



SPECIALIST TECHNOLOGIES LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 1998

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SPECIALIST TECHNOLOGIES LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS: C Davis
T De Bouillane

SECRETARY: C Davis

REGISTERED OFFICE: 1 Lyon Road
Walton on Thames
Surrey
KT12 3PU

REGISTERED NUMBER: 2265000

AUDITORS: Lawes & Co.
Registered Auditor
Boyce's Building
Regent Street
Clifton
Bristol
BS8 4HU

SPECIALIST TECHNOLOGIES LIMITED

REPORT OF THE DIRECTORS **FOR THE YEAR ENDED 31 DECEMBER 1998**

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

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of trading in aerospace-related components, and the manufacture and repair of compressors.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

In view of the events of 1998 as referred to in the Directors' Statement below, the Directors are satisfied with the results and expect the economies of scale and efficiencies that the move has allowed will enable the company's planned expansion to go ahead in terms of both turnover and additional profits.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 1998.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors during the year under review were:

C Davis
T De Bouillane

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

	31.12.98	1.1.98
Ordinary £1 shares		
C Davis	50,000	50,000
T De Bouillane	50,000	50,000

SPECIALIST TECHNOLOGIES LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1998

DIRECTORS' STATEMENT

In the past year the company has achieved its aim of consolidating its two sites in London and Farnborough into one freehold facility in Walton on Thames. The new facility has increased the company's floor space from 6600 sq. ft for the original two sites to over 17500 sq. ft. This will allow for planned future expansion.

In addition the Hypresair Engineering facility in Redditch was closed and all stocks have been accommodated at the new site. Manufacture and servicing of the Dunlop designed compressors have been sub-contracted out. Specialist Technologies will continue the spares support.

The move caused a great deal of disruption to the business due to redundancies and the amalgamation of staff and stock. New staff members have had to be recruited and trained. This upheaval has naturally reflected in the company's results for the year. However the company has managed to make a profit before exceptional expenditure in line with previous years.

The London site was offered for sale at the end of 1998 (October) and a buyer has been found and completion is expected in July 1999. The leases on the Farnborough and Redditch sites expire in 1999 with no on-going liabilities. The savings in rent and the income from the sale of London will be reflected in the 1999 audited accounts.

The company has won several long-term contacts from the UK MoD and is negotiating with large manufacturers for similar supply management contracts, some of which are at an advanced stage. The order book in general is very healthy and is in line with previous years.

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.

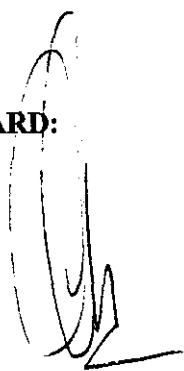
AUDITORS

The auditors, Lawes & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD:

C Davis - DIRECTOR

Dated:27.04.99



SPECIALIST TECHNOLOGIES LIMITED

REPORT OF THE AUDITORS TO
SPECIALIST TECHNOLOGIES LIMITED
UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated financial statements on pages five to fifteen, together with the full financial statements of the company for the year ended 31 December 1998 prepared under Section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with Section 246A(3) of the Companies Act 1985, and the abbreviated financial statements on pages five to fifteen are properly prepared in accordance with that provision.



Lawes & Co.
Registered Auditor
Boyce's Building
Regent Street
Clifton
Bristol
BS8 4HU

Dated: 28/5/99

SPECIALIST TECHNOLOGIES LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998

		31.12.98		31.12.97	
	Notes	£	£	£	£
GROSS PROFIT			1,116,253		1,261,606
Distribution costs		59,088		57,661	
Administrative expenses		899,365		881,757	
			958,453		939,418
OPERATING PROFIT	3		157,800		322,188
Computer software scrapped	4		(29,930)		(21,481)
Relocation costs	4		(91,289)		-
			36,581		300,707
Interest receivable and similar income			12,211		12,255
			48,792		312,962
Interest payable and similar charges	5		22,295		8,475
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			26,497		304,487
Tax on profit on ordinary activities	6		13,069		92,841
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			13,428		211,646
Retained profit brought forward			845,566		633,920
RETAINED PROFIT CARRIED FORWARD			£858,994		£845,566

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these financial statements

SPECIALIST TECHNOLOGIES LIMITED

ABBREVIATED BALANCE SHEET
31 DECEMBER 1998

		31.12.98		31.12.97	
	Notes	£	£	£	£
FIXED ASSETS:					
Tangible assets	7		1,288,948		448,428
Investments	8		4,041		4,041
			<u>1,292,989</u>		<u>452,469</u>
CURRENT ASSETS:					
Stocks	9	640,405		530,422	
Debtors	10	959,066		881,922	
Cash at bank and in hand		128,892		346,688	
		<u>1,728,363</u>		<u>1,759,032</u>	
CREDITORS: Amounts falling due within one year	11	<u>1,440,894</u>		<u>1,179,658</u>	
NET CURRENT ASSETS:			<u>287,469</u>		<u>579,374</u>
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>1,580,458</u>		<u>1,031,843</u>
CREDITORS: Amounts falling due after more than one year	12		<u>621,464</u>		<u>86,277</u>
			<u>£958,994</u>		<u>£945,566</u>
CAPITAL AND RESERVES:					
Called up share capital	14		100,000		100,000
Profit and loss account			858,994		845,566
Shareholders' funds	17		<u>£958,994</u>		<u>£945,566</u>

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

ON BEHALF OF THE BOARD:

C Davis - DIRECTOR

T De Bouillane - DIRECTOR

Approved by the Board on27.09.99.

The notes form part of these financial statements

SPECIALIST TECHNOLOGIES LIMITED**CASH FLOW STATEMENT**
FOR THE YEAR ENDED 31 DECEMBER 1998

		<u>31.12.98</u>		<u>31.12.97</u>	
	Notes	£	£	£	£
Net cash inflow from operating activities	1		69,881		459,058
Returns on investments and servicing of finance	2		(10,084)		3,780
Taxation			(92,815)		(127,960)
Capital expenditure	2		(939,277)		(143,391)
			(972,295)		191,487
Financing	2		642,873		-
(Decrease)/Increase in cash in the period			<u>£(329,422)</u>		<u>£191,487</u>
<hr/>					
Reconciliation of net cash flow to movement in net funds	3				
(Decrease)/Increase in cash in the period			(329,422)		191,487
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing			<u>37,508</u>		<u>(38,715)</u>
Change in net funds resulting from cash flows			<u>(291,914)</u>		<u>152,772</u>
Movement in net funds in the period			(291,914)		152,772
Net funds at 1 January 1998			222,903		70,131
Net (debt)/funds at 31 December 1998			<u>£(69,011)</u>		<u>£222,903</u>

The notes form part of these financial statements

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

1. **RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	31.12.98 £	31.12.97 £
Operating profit	157,800	322,188
Depreciation charges	85,839	68,569
Capital element of hire purchase payments	(37,508)	38,715
Exceptional items	(121,219)	-
Loss on disposal of fixed assets	12,919	-
(Increase)/Decrease in stocks	(109,983)	14,841
(Increase)/Decrease in debtors	(77,144)	11,981
Increase in creditors	159,177	2,764
Net cash inflow from operating activities	69,881	459,058

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.12.98 £	31.12.97 £
Returns on investments and servicing of finance		
Interest received	12,211	12,255
Interest paid	(22,295)	(8,475)
Net cash (outflow)/inflow for returns on investments and servicing of finance	(10,084)	3,780
Capital expenditure		
Purchase of tangible fixed assets	(939,277)	(143,391)
Net cash outflow for capital expenditure	(939,277)	(143,391)
Financing		
New loan taken out in year	642,873	-
Net cash inflow from financing	642,873	-

The notes form part of these financial statements

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998

3. **ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.98 £	Cash flow £	At 31.12.98 £
Net cash:			
Cash at bank and in hand	346,688	(217,796)	128,892
Bank overdraft	-	(111,626)	(111,626)
	<u>346,688</u>	<u>(329,422)</u>	<u>17,266</u>
Debt:			
Hire purchase or finance leases	(123,785)	37,508	(86,277)
	<u>(123,785)</u>	<u>37,508</u>	<u>(86,277)</u>
Total	<u>222,903</u>	<u>(291,914)</u>	<u>(69,011)</u>
Analysed in Balance Sheet			
Cash at bank and in hand	346,688		128,892
Bank overdraft	-		(111,626)
Hire purchase or finance leases			
within one year	(37,508)		(53,701)
after one year	(86,277)		(32,576)
	<u>222,903</u>		<u>(69,011)</u>

The notes form part of these financial statements

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 1998**

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

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 or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- not provided
Fixtures, fittings & equipment	- 25% on cost
Motor vehicles	- 33% on cost
Computer equipment	- 25% on cost

Stocks

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

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

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.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Pensions

The company operates a defined contribution pension scheme, and the pension charge represents the amounts paid by the company to the fund in respect of the year.

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

2. STAFF COSTS

	31.12.98	31.12.97
	£	£
Wages and salaries	497,820	534,171
Social security costs	44,453	43,660
	<u>542,273</u>	<u>577,831</u>

The average monthly number of employees during the year was as follows:

	31.12.98	31.12.97
Sales & administration staff	24	26
	=	=

3. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	31.12.98	31.12.97
	£	£
Hire of plant and machinery	1,928	2,158
Depreciation - owned assets	34,509	19,195
Depreciation - assets on hire purchase contracts or finance leases	51,330	49,374
Auditors' remuneration	11,000	5,800
Foreign exchange differences	6,950	(7,751)
	<u>80,000</u>	<u>80,000</u>

4. EXCEPTIONAL ITEMS

COMPUTER SOFTWARE SCRAPPED The company is in dispute with a supplier of computer software in respect of supplies made during the year ended 31 December 1997. Amounts written off in these accounts represent payments made during the year ended 31 December 1997 together with legal fees incurred on this matter during this year. These assets are deemed to have no value.

RELOCATION COSTS The company moved premises during 1998 and these costs relate to additional expenditure incurred during the year, directly attributable to the relocation.

5. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.98	31.12.97
	£	£
Bank interest	22,295	8,291
Interest paid Inland Revenue	-	184
	<u>22,295</u>	<u>8,475</u>

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

6. TAXATION

The tax charge on the profit on ordinary activities for the year was as follows:

	31.12.98	31.12.97
	£	£
UK corporation tax	13,069	92,841
	<u> </u>	<u> </u>

UK corporation tax has been charged at 21% (1997 - 28.35%).

7. TANGIBLE FIXED ASSETS

	Freehold property	Fixtures, fittings & equipm- ent	Motor vehicles	Computer equipment	Totals
	£	£	£	£	£
COST:					
At 1 January 1998	269,988	193,377	82,480	144,915	690,760
Additions	881,919	40,168	-	17,190	939,277
Disposals	-	-	-	(12,919)	(12,919)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 1998	1,151,907	233,545	82,480	149,186	1,617,118
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
DEPRECIATION:					
At 1 January 1998	-	116,591	27,823	97,917	242,331
Charge for year	-	35,980	27,493	22,366	85,839
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 1998	-	152,571	55,316	120,283	328,170
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
NET BOOK VALUE:					
At 31 December 1998	1,151,907	80,974	27,164	28,903	1,288,948
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 1997	269,988	76,786	54,656	46,998	448,428
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The bank holds a charge over the company's freehold property as security for an overdraft facility.

The company undertakes a policy of regular maintenance and repairs to its freehold property and considers that any diminution in economic value is not material to the accounts. Accordingly, no depreciation has been charged on this asset in these accounts.

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

7. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts or finance leases are as follows:

	Fixtures, fittings & equip- ment	Motor vehicles	Totals
	£	£	£
COST:			
At 1 January 1998 and 31 December 1998	<u>95,348</u>	<u>82,480</u>	<u>177,828</u>
DEPRECIATION:			
At 1 January 1998	39,462	27,823	67,285
Charge for year	<u>23,837</u>	<u>27,493</u>	<u>51,330</u>
At 31 December 1998	<u>63,299</u>	<u>55,316</u>	<u>118,615</u>
NET BOOK VALUE:			
At 31 December 1998	<u>32,049</u>	<u>27,164</u>	<u>59,213</u>
At 31 December 1997	<u>55,886</u>	<u>54,656</u>	<u>110,542</u>

8. FIXED ASSET INVESTMENTS

	£
COST:	
At 1 January 1998 and 31 December 1998	<u>4,041</u>
NET BOOK VALUE:	
At 31 December 1998	<u>4,041</u>
At 31 December 1997	<u>4,041</u>
	31.12.98
	£
Unlisted investments	<u>4,041</u>
	31.12.97
	£
	<u>4,041</u>

During the previous year the company acquired a 16% holding in the ordinary share capital of a company incorporated in France called Spectech France SA.

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

9. STOCKS

	31.12.98	31.12.97
	£	£
Stock	550,242	394,695
Work in progress	90,163	135,727
	<u>640,405</u>	<u>530,422</u>

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

	31.12.98	31.12.97
	£	£
Trade debtors	882,998	793,626
Other debtors	5,030	14,745
Prepayments	71,038	20,913
VAT	-	52,638
	<u>959,066</u>	<u>881,922</u>

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

	31.12.98	31.12.97
	£	£
Bank loans and overdrafts (see note 13)	165,611	-
Trade creditors	925,822	680,769
Directors current account	120,824	250,044
Hire purchase	53,701	37,508
Other creditors	19,816	-
Advance payments	25,954	27,283
Social security & other taxes	31,577	23,582
Taxation	13,095	92,841
Accrued expenses	84,494	67,631
	<u>1,440,894</u>	<u>1,179,658</u>

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

	31.12.98	31.12.97
	£	£
Hire purchase	32,576	86,277
Bank loan due in 2 to 5 years	254,904	-
Bank loan due in over 5 years	333,984	-
	<u>621,464</u>	<u>86,277</u>

SPECIALIST TECHNOLOGIES LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998

13. LOANS AND OVERDRAFTS

An analysis of the maturity of loans and overdrafts is given below:

	31.12.98	31.12.97
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	111,626	-
Bank loans	53,985	-
	165,611	-

14. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	31.12.98	31.12.97
			£	£
100,000	Ordinary	£1	100,000	100,000

15. PENSION COMMITMENTS

The company operated a defined contribution scheme during the year under review.

16. POST BALANCE SHEET EVENTS

The company has sold one of its two freehold properties held at the year end for an amount of approximately £258,000.

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.98	31.12.97
	£	£
Profit for the financial year	13,428	211,646
NET ADDITION TO SHAREHOLDERS' FUNDS	13,428	211,646
Opening shareholders' funds	945,566	733,920
CLOSING SHAREHOLDERS' FUNDS	958,994	945,566
Equity interests	958,994	945,566