

ALDERLEY MATERIALS LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 SEPTEMBER 1999



COMPANY NO. 2405903

ALDERLEY MATERIALS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

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ALDERLEY MATERIALS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 30 September 1999.

In preparing the directors' report advantage has been taken of the special exemptions applicable to small companies conferred by Part VII of the Companies Act 1985.

PRINCIPAL ACTIVITY

The profit and loss account for the year is set out on page 4.

The company's principal activity is the manufacture and supply of fire retardant coatings.

BUSINESS REVIEW

The company's principal activity is the formulation and supply of special insulating and fire retardant materials. The company has been developing a new range of high specification systems and has incurred significant costs on these during the period under review.

Prospects for these new materials are excellent.

DIRECTORS

The directors of the company during the year were:

A J V Shepherd
S H Shepherd
M Orpin
J M Green

DIRECTORS' INTERESTS

No directors have any interest in the shares of the company or its parent company, Alderley Holdings Limited, with the exception of A J V Shepherd who has a controlling interest in the shares of Alderley Holdings Limited and S H Shepherd who holds 10% of the share capital of Alderley Holdings Limited.

ALDERLEY MATERIALS LIMITED

DIRECTORS' REPORT

AUDITORS

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the next annual general meeting.

YEAR 2000

The directors have taken precautions against any problems which are likely to be associated with the Year 2000 and there are no apparent issues arising. Costs were met from normal replacement and service budgets and were immaterial to the company's profitability.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the statements for the year ended 30 September 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

Lisa Reed

L C Reed
Secretary

10 March 2000

ALDERLEY MATERIALS LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF ALDERLEY MATERIALS LIMITED

We have audited the financial statements on pages 4 to 11, which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and 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 United Kingdom 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

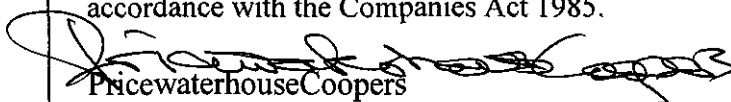
Basis of audit opinion

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 at 30 September 1999 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
31 Great George Street
BRISTOL
BS1 5QD

13 March 2000

ALDERLEY MATERIALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 SEPTEMBER 1999

		1999	1998
	Note		
TURNOVER	2	1,114,110	753,950
Net Operating Expenses	3	(1,032,942)	(683,397)
		<hr/>	<hr/>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		81,168	70,553
Interest payable		(35,478)	(32,660)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	45,690	37,893
Tax on profit on ordinary activities	6	(10,074)	(8,598)
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR	13	£ 35,616	£ 29,295
		<hr/>	<hr/>

The company has no recognised gains and losses, other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above, and their historical cost equivalents.

The above operations solely relate to continuing activities.

ALDERLEY MATERIALS LIMITED

BALANCE SHEET

AS AT 30 SEPTEMBER 1999

	Notes	1999	1998
FIXED ASSETS			
Tangible assets	7	121,044	134,941
CURRENT ASSETS			
Stocks	8	178,217	149,114
Debtors	9	850,366	690,987
		<hr/>	<hr/>
		1,028,583	840,101
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	10	(1,036,422)	(897,560)
		<hr/>	<hr/>
NET CURRENT (LIABILITIES)		(7,839)	(57,459)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		113,205	77,482
PROVISIONS FOR LIABILITIES AND CHARGES	11	(5,779)	(5,672)
		<hr/>	<hr/>
NET ASSETS		£ 107,426	£ 71,810
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called-up share capital	12	150,000	150,000
Profit and loss account	13	(42,574)	(78,190)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	17	£ 107,426	£ 71,810
		<hr/>	<hr/>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities.

The financial statements on pages 4 to 11 were approved by the Board of Directors on 10 March 2000 and were signed on its behalf by:

A J V Shepherd
Director

A. J. V. Shepherd

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

1. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, and include the results of the activities described in the director's report, all of which are continuing. The going concern basis is appropriate as the holding company has pledged its continuing support.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of Accounting

The financial statements have been prepared in accordance with the historical cost convention.

Fixed Assets

Tangible fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets at 2% per month on the net book value in order to write off the cost of each asset over its expected useful life.

Deferred Taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Leased Assets

The costs of operating leases are charged to the profit and loss account as they accrue.

Cash Flows

The company is a wholly owned subsidiary of Alderley Holdings Ltd and the cash flows of the company are included in the consolidated Group cash flow statement of Alderley Holdings Ltd. Consequently, the company is exempt under the terms of the Financial Reporting Standard No. 1 from publishing a cash flow statement.

Pension Costs

The company contributes to individual defined contribution schemes in respect of certain employees. Pension costs represent amounts due for the accounting period.

Stocks

Stocks of material are valued at the lower of cost and net realisable value.

Turnover on long-term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty. The costs on long-term contracts not yet taken to the profit and loss account less related foreseeable losses and payments on account are shown in stocks and long-term contract balances.

Research and Development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

2. TURNOVER

Turnover, which excludes value added tax, and trade discounts, represents the invoiced value of goods and services supplied and the value of long-term contract work done.

The company derived its turnover from the following geographical markets:

	1999	1998
United Kingdom	1,021,124	748,384
Rest of Europe	6,118	5,566
Rest of World	86,869	-
	<hr/>	<hr/>
	£ 1,114,110	£ 753,950
	<hr/>	<hr/>

3. NET OPERATING EXPENSES

	1999	1998
Other operating income	(3,000)	(4,500)
Change in work in progress	447,188	-
Raw materials & consumables	(4,364)	426,018
Staff costs	159,381	147,224
Other external charges	204,057	-
Depreciation & other amounts written off tangible fixed assets	30,664	27,700
Other operating charges	199,016	86,955
	<hr/>	<hr/>
	£ 1,032,942	£ 683,397
	<hr/>	<hr/>

4. OPERATING PROFIT ON ORDINARY
ACTIVITIES BEFORE TAXATION

Operating profit on ordinary activities
before taxation is stated after charging:

Auditors' remuneration	2,247	2,150
Hire of vehicles	14,726	12,084
Pension costs	7,824	6,260
	<hr/>	<hr/>

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

5. DIRECTORS	1999	1998
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Emoluments of directors were as follows:

Management remuneration (including pensions and benefits-in-kind)

£ 88,704

£ 88,040

Retirement benefits are accruing to two directors under money purchase schemes at 30 September 1999 (1998 - two).

6. TAX ON PROFIT ON ORDINARY ACTIVITIES		
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United Kingdom corporation tax at 20½% payable - (1998 - 21%)

Current

9,967

6,860

Transfer to deferred taxation

Charge at 21%

107

1,738

Tax charge for the year

£ 10,074

£ 8,598

7. TANGIBLE FIXED ASSETS		
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Plant, Equipment
& Fittings

Total

COST

At 1 October 1998

221,605

221,605

Additions

16,767

16,767

At 30 September 1999

£ 238,372

£ 238,372

DEPRECIATION

At 1 October 1998

86,664

86,664

Charge for the year

30,664

30,664

At 30 September 1999

£ 117,328

£ 117,328

NET BOOK VALUE

30 September 1999

£ 121,044

£ 121,044

30 September 1998

£ 134,941

£ 134,941

CAPITAL COMMITMENTS

There were no capital commitments at either 30 September 1999 or 1 October 1998.

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

8. STOCK	1999	1998
Raw materials	£ 52,388	£ 36,060
Long term contracts		
Work-in-progress	134,573	143,069
Less: Payments on account (30,015)		(8,745)
	<hr/>	<hr/>
	£ 178,217	£ 149,114
	<hr/>	<hr/>
9. DEBTORS		
Trade debtors	583,483	507,457
Amounts owed by group undertakings	56,668	165,644
Other debtors	-	100
Taxation recoverable - group relief	-	-
Prepayments and accrued income	190,696	17,786
Amounts recoverable on contracts	19,519	-
	<hr/>	<hr/>
	£ 850,366	£ 690,987
	<hr/>	<hr/>
10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank overdraft - note a.	721,353	503,248
Trade creditors	233,783	305,921
Amounts owed to group undertakings	18,229	35,941
Other creditors and accruals	39,278	15,116
Corporation Tax	2,864	6,865
Taxation payable - group relief	7,175	-
Payments on account	8,701	237
Other taxation and social security	5,039	30,469
	<hr/>	<hr/>
	£ 1,036,422	£ 897,560
	<hr/>	<hr/>
(a) The bank overdraft is secured by a fixed and floating charge on the assets and cross guaranteed by the group.		
11. PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred tax:		
At 1 October 1998	5,672	3,934
Charge to profit and loss account	107	1,738
	<hr/>	<hr/>
At 30 September 1999	£ 5,779	£ 5,672
	<hr/>	<hr/>
Deferred tax provided is attributable to:		
Accelerated capital allowances	£ 5,779	£ 5,672
	<hr/>	<hr/>

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

12. CALLED-UP SHARE CAPITAL	1999	1998
Authorised:		
150,000 Ordinary shares of £1 each	£ 150,000	£ 150,000
	<hr/>	<hr/>
Allotted called-up and fully paid:		
150,000 Ordinary shares of £1 each	£ 150,000	£ 150,000
	<hr/>	<hr/>
13. PROFIT AND LOSS ACCOUNT		
At 1 October 1998	(78,190)	(107,485)
Profit for the year	35,616	29,295
	<hr/>	<hr/>
At 30 September 1999	£ (42,574)	£ (78,190)
	<hr/>	<hr/>

14. CONTINGENT LIABILITIES

Unlimited cross bank guarantees given to Bank of Scotland plc, exist between Alderley Materials Limited and its parent company (Alderley Holdings Limited), and its fellow subsidiaries (Rigidon (UK) Limited, Jordan Kent Metering Systems Limited, Alderley International Limited, Alderley Controls Limited and Alderley Process Technologies Limited).

15. ULTIMATE PARENT COMPANY

In the opinion of the directors the company's ultimate parent company is Alderley Holdings Limited a company incorporated in Great Britain, and registered in England and Wales.

Alderley Holdings Limited prepares group financial statements and copies can be obtained from Alderley House, Arnolds Field Estate, Wickwar, Gloucestershire, GL12 8JD.

Alderley Materials Limited consider A J V Shepherd to be the ultimate controlling party by virtue of his majority shareholding in Alderley Holdings Limited, the parent company.

ALDERLEY MATERIALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 1999

16. FINANCIAL COMMITMENTS - OPERATING LEASES

At 30 September 1999 the company had annual commitments under non-cancellable operating leases other than land and buildings as follows:

	1999	1998
Expiry within one year	-	-
Expiry between two and five years inclusive	9,280	15,420
	<hr/>	<hr/>
	£ 9,280	£ 15,420
	<hr/>	<hr/>

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

At 1 October 1998	71,810	(107,483)
Profit for the year	35,616	29,295
Proceeds of share issue	-	149,998
	<hr/>	<hr/>
At 30 September 1999	£ 107,426	£ 71,810
	<hr/>	<hr/>

18. RELATED PARTY TRANSACTIONS

As the company is a wholly owned subsidiary within a group that prepares consolidated financial statements, the company has taken advantage of the exemption from disclosing transactions with group entities.