Belroy R&D Joint Ventures Limited

Research & Development Centre For Innovation
The Wellington, Bury Road, Bolton, BL2 6PY
Telephone: 01204 460668 - Email: BelroyRoller-Air@aol.com

Accounts for the period ended 31 March 2010

Company Registration Number 06434170

Registered Office

98 Meltham Avenue
Manchester
M20 1EE

Belroy R&D Joint Ventures Limited

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DIRECTOR'S REPORT

Belroy R&D Joint Ventures Limited is a company incorporated as number 06434170 on 22 November 2007. It is a wholly owned subsidiary of the non-trading Intellectual Property holding company Industrial Technology Investments Public Limited Company, which was incorporated as number 02688432 on 18 February 1992.

The director presents his report and abbreviated financial statements for the period 27 November 2007 to 31 March 2010.

Principal Activity

The principal activity of the company is to carry out Research and Development in Joint Ventures with entrepreneurial inventors.

The company is to focus its R&D attention on Joint Ventures with people who can conceive new products based on exploiting industrial technology inventions. Concentration will be on products which, if there is a desire for them to be added-value manufactured in Britain to the benefit of Britain's economy, commercial competition from Asia and China dictate the financial offsetting effect given by the use of labour-saving Advanced Engineering Manufacture by Robotic Machine Tools.

Project Performance Related Scheme of Deferred Compensation by Secured Debenture

The company isn't prepared to increase cash outflow borrowings by regularly paying for the time and effort of those people who will otherwise gain financial benefit if a Joint Venture Project's R&D work results in a product being commercially exploited by the company.

It is an accepted business practice that when growing companies don't have the cash to pay officers a market-base salary, those officers sometimes negotiate for deferred compensation until the company's position becomes more solid.

Because of the uncertain nature of carrying out R&D into conceptual ideas for doing things never done before, or for trying to improve existing processes those people whose specialised time and effort is needed by the company in carrying out R&D; and who will otherwise gain financial benefit if a joint venture project's R&D is commercially exploited by the company; are required to enjoin in the company's risk taking activities by joining the company's Project Performance Related Scheme of Deferred Compensation by Secured Debenture.

The time and effort spent on the company's R&D effort will be accrued on the basis of hours spent by the specialised person multiplied by the hourly rate agreed as the market rate for the person's speciality. The Debentures are Secured against the finally perfected version of the commercially tested product that these people carry out R&D work for. The date of when the Debentures are to become redeemable and the fixed interest rate are both agreed at the outset of a Joint Venture.

If the R&D doesn't result in a marketable product with an agreed timescale, the Debentures become null and void.

Review of the Business - Roller-Air Spinning Project (RASP)

The annual sales of yarn by the world's Cotton Spinning Mills ("CSMs") is around £80 billion - some £220 million per day. CSMs constitute a specialised niche market for Industrial Engineering Companies ("IECs") that manufacture the type of machines needed to spin the £80 billions worth of yarn.

The CSMs annually pay about £4 billion for new Industrial Spinning Machines ("ISMs") including spare parts for installed ISMs.

There are no working CSMs, nor any IECs that manufacturer ISMs (nor any other textile machinery), left in Britain. The overseas CSMs provide overseas IECs with sustainable employment for about 20,000 working class people.

The British Roller-Air Spinning Project ("RASP") perfected a new Industrial Spinning Technology ("IST"), which is protected by the RASP's Intellectual Property ("IP"). Obviously, the use of the IST for yarn production is targeted at the CSM export markets worldwide.

The IST will massively increase the commercial productivity and thus profitability of CSMs. The IST's "Green Credentials" will also give substantial energy savings. This makes the RASP an all encompassing technology in a changing global economy.

DIRECTOR'S REPORT (continued)

Spinning raw cotton fibres (and blends with man-made polyester fibres) into £80 billions worth of fine yarn per year; for either knitting or weaving into fabrics for cutting and sewing into clothing, etc.; is mainly carried out by the old mechanical technologies of "Ring" and "Rotor".

Roller-Air will make both of these technologies redundant within the next 20 years.

However, jobs and mass-production will be subservient to profitability and sustainability. The RASP's IST will have a strictly controlled and selective market entry, with profit to both the CSMs and also the Advanced Engineering Manufacture ("AEM") of the IP Licensee/Owner as the overriding criteria.

When the RASP's selected CSMs achieve a 5% market share - i.e. annual sales of some £4 billions worth of yarn- the IP Licensee/Owner's profit will have grown to over £20 million per annum.

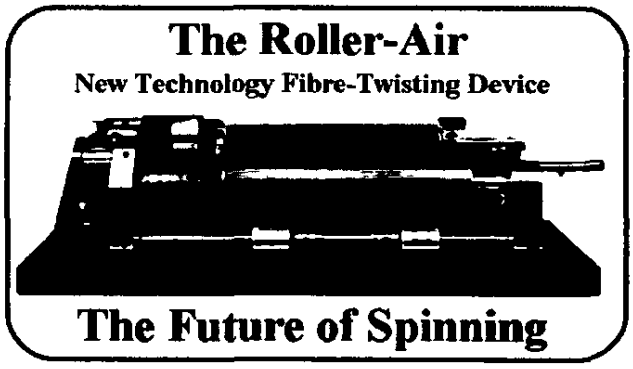
The RASP's legitimate Patent Creating Monopoly will enable Britain to recapture a small part of its former Industrial Engineering Heritage which, apart from its air, naval and security activities, is just a faded memory of the pre-1960s when added-value industrial engineering manufacture was the linchpin of Britain's economy.

Starting in 1986, there has been a 24 year part-time and drip-feed R&D spend of over £2.8 million to develop 11 proof of concept mechanical fibre twisting devices ("MFTDs"). As new space age materials and enhanced micro-precision engineering techniques came on stream, each new MFTD was enabled to become a technologically improved upgrade of its predecessor. This culminated in the Mark 12 Proof of Concept MFTD.

In order to leave the RASP's IP safe from the risks inherent in trading companies, this company was incorporated on 22 November 2007. The objective being for this company to acquire the necessary skills to carry out the R&D needed to conceive an invention that will be suitable to be used as a relatively cheap Market Entry Product that can commercially exploit the RASP's IP.

To this end, the company purchased an exclusive worldwide License to use the RASP's IST by its parent Industrial Technology Investments plc.

On incorporation this company took control of the Mark 12 Proof of Concept MFTD, its associated single position spin-tester rig, and the German-manufactured Schlafhorst Autocoro with 24 position Rotor technology MFTDs.



The aforementioned R&D commercialisation work involves using the productivity and energy efficiency enhancing technology built into the RASP's Mark 12 Proof of Concept MFTD as he basis for very detailed conceptual R&D work.

This will be followed by complex CAD/CAM design work, leading up to the AEM and subsequent commercial testing of a PRE-PRODUCTION RETROFIT SUBASSEMBLY ("PPRS").

The RASP IST's relatively cheap initial Market Entry will be to use the finally perfected version of the commercially tested PPRS to in-mill upgrade existing German-manufactured Schlafhorst Autocoros, that can have upwards of 216 Rotor technology MFTDs (i.e. 9 sections each of 24 spinning positions).

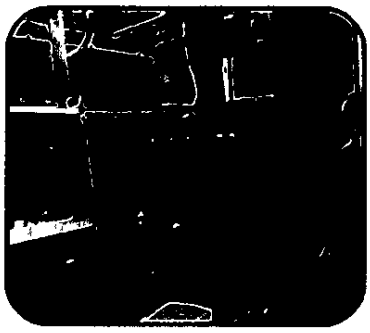
Progress to 31 March 2010

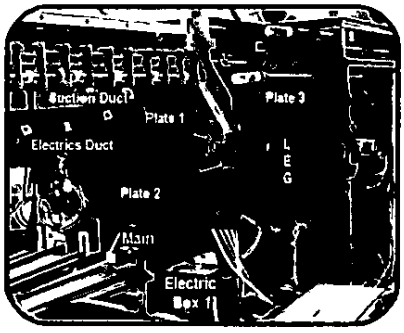
The first task was to carry out R&D into the feasibility of getting the RASP's IST into a relatively cheap Market Entry Product.

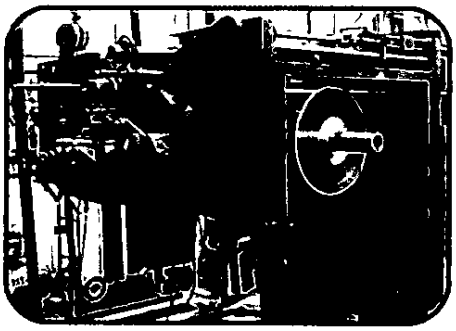
This Feasibility R&D Phase started in the Textile Hall of Bolton University and a rented office nearby. During the 14 months ended 31 March 2009, technical conceptual evaluation and preliminary CAD/CAM 3D Computer Modelling took place.

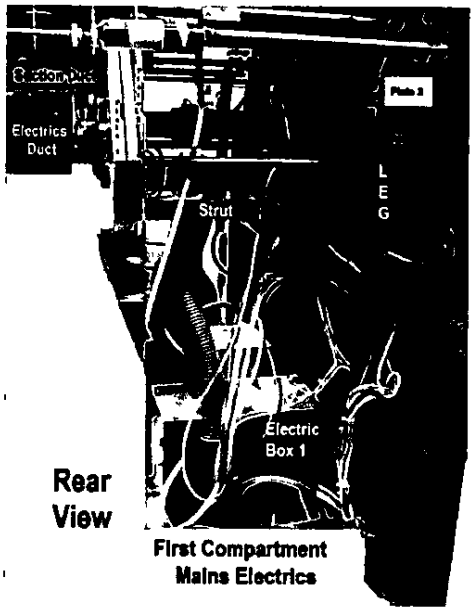
This Feasibility R&D work involves

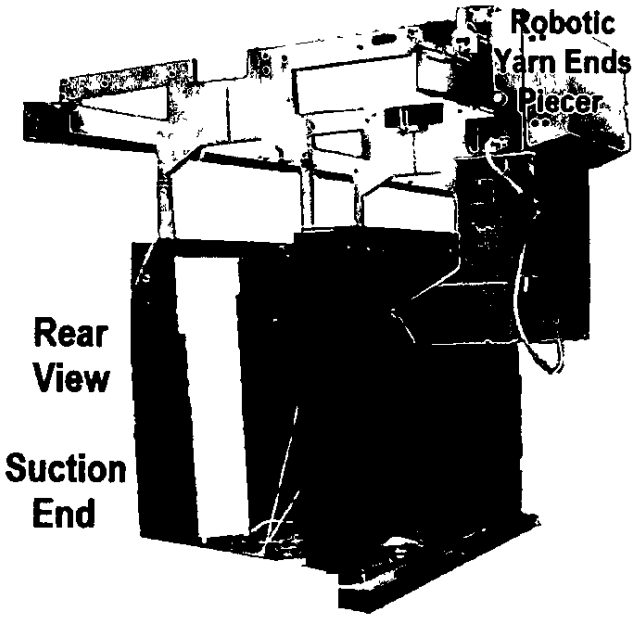
(i) Stripping down the 24 position Autocoro





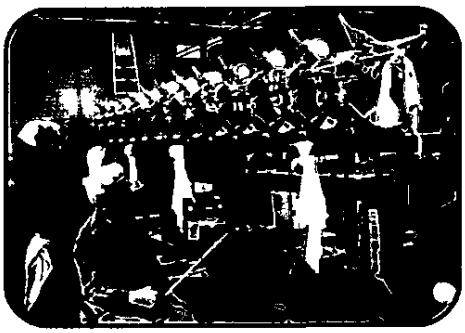






DIRECTOR'S REPORT (continued)

(ii) Carrying out complex computer-aided Reverse Engineering measurements of each component (down to individual nut and bolt level)



(iii) Carrying out computerised cloning calculations to produce accurately scaled 3D computer-based CAM specification models of each individual component

(iv) Preparing detailed specification manuals on which CAD/CAM design work can be based.

Up to the end of March 2010, this Feasibility R&D work had cost £205,148 (£142,089 during the 12 months ended 31 March 2010 and £63,059 during the 14 months ended 31 March 2010).

This expenditure was funded by Loan and Deferred Compensation Debentures which are secured against the finally perfected version of the commercially tested PPRS. The Debentures are redeemable between 2011 and 2014 and the fixed interest rate is 5%.

During the 6 months ended 30 September 2010, further R&D outgoings of £47,260 were expended, together with Deferred Compensation of £31,200 = £78,460 in carrying out computerised cloning calculations to produce accurately scaled 3D computer-based CAM specification models of the Autocoro's components, together with preparing detailed specification manuals on which CAD/CAM design work can be based.

This makes a total R&D spend from 22 November 2007 to 30 September 2010 on the feasibility of getting the RASP's Industrial Spinning Technology into a relatively cheap Market Entry Product of £283,608.

This relatively cheap Market Entry R&D Feasibility Phase is still ongoing at the Research & Development Centre For Innovation, which is located at The Wellington, Bury Road, Bolton, BL2 6PY. Telephone: 01204 460668 - Email: BelroyRoller-Air@aol.com.

Statement of director's responsibilities

The director is responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The financial statements are required by law to 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 these 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 director acknowledges his responsibilities for keeping proper accounting records that 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 2006. The director also accepts he is 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, and for ensuring that the company keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of sections 393 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act, 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April, 2008)

The following financial statements were approved by the Board on 27 December 2010.

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John Theobald

Director - 27 December 2010

Belroy R&D Joint Ventures Limited

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2010

	2009/10	2008/09
Peppercorn Purchase of Roller-Air Commercialisation Rights	10.00	Nil
Director's R&D work Note 3	31,200	30,600
Textile Engineering R&D Services Note 3	31,200	20,400
Computer-aided Reverse Engineering R&D Services Note 4	57,788	Nil
Casual Labour	4,180	3,650
Book-keeping Services	400	Nil
Loan Arrangement Fees Note 3	5,000	1,000
Rent and Rates	6,050	4,550
Gas & Electricity	1,481	802
Hire of Meeting Rooms for Technical Discussions	442	136
Telephone	109	Nil
Internet Access for overseas technical liaison	Nil	219
Insurance	239	179
Office Consumables, Equipment & Small Tools	2,118	748
Printing of A1 size Drawings	72	197
Petrol	1,225	497
Car Maintenance	250	Nil
Annual Return to Companies House	30	Nil
Bank Charges & Interest	275	60.
Miscellaneous	20	21
Loss for the year	142,089	63,059

Belroy R&D Joint Ventures Limited

BALANCE SHEET
FOR THE PERIOD ENDED 31 MARCH 2010

FIXED ASSETS				
Intangible Assets - Initial Equity Investment		1,000		1,000
CURRENT ASSETS				
Cash at bank	5,020		371	
Creditors: amounts falling due within one year	(9,978)		Nil	
NET CURRENT ASSETS (LIABILITIES)		(4,958)		371
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,958)		1,371
Creditors: amounts falling due after more than one year:				
Secured Debentures - Cash Loans	(80,790)		(11,430)	
Secured Debentures - Deferred Compensation	(119,400)		(52,000)	
		(200,190)		(63.430)
		(204,148)		(62,059)
CAPITAL AND RESERVES				
Called up share capital		1,000		1,000
Profit and loss account		(205,148)		(63,059)
SHAREHOLDERS' FUNDS		(204,148)		(62,058)

Belroy R&D Joint Ventures Limited

BALANCE SHEET
FOR THE PERIOD ENDED 31 MARCH 2010 (continued)

For the year ended 31st march 2010 the company was entitled to exemption under section 477(2) of the Companies Act 2006.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for:

i) Ensuring the company keeps accounting records which comply with section 386; and

ii) Preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its profit and loss for the financial year in accordance with section 393, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

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John Theobald

Director - 27 December 2010

Belroy R&D Joint Ventures Limited

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2010

1 Accounting policies

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007)

2 Called up share capital

Authorised : 1,000 Ordinary shares of £1 each

Issued : 2010 (1,000) - 2009 (1,000)

3 Project Performance Related Scheme of Deferred Compensation by Secured Debenture

Roller-Air Spinning Project

Director's R&D:
2009/10: average 20 hours per week at £30 per hour for 52 weeks = £31,200.00
2008/09: average 15 hours per week at £30 per hour for 68 weeks = £30,600.00

Textile Engineering R&D:
2009/10: average 20 hours per week at £30 per hour for 52 weeks = £31,200.00
2008/09: average 10 hours per week at £30 per hour for 68 weeks = £20,400.00

Loan Arrangment Fees:
2009/10: £5,000.00
2008/09: £1,000.00