

SOUND ATTENUATORS LIMITED
FINANCIAL STATEMENTS
31 AUGUST 2000

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SOUND ATTENUATORS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2000

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SOUND ATTENUATORS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors	R I Woods I P Evans E R Knight D J Gibson
Company secretary	E R Knight
Registered office	12 York Gate Regent's Park London NW1 4QS
Auditors	Blick Rothenberg Chartered Accountants Registered Auditors 12 York Gate Regent's Park London NW1 4QS

SOUND ATTENUATORS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 AUGUST 2000

The directors present their report and the financial statements of the company for the year ended 31 August 2000.

Principal activity and business review

The principal activity of the company during the year continued to be that of the manufacture, sale and installation of equipment to control and reduce environmental noise pollution.

The results for the year under review have suffered from pressures in both turnover and margin. This was in part caused by the postponement of a substantial contract in the year to 31 August 2000.

Pressures on turnover have continued and the directors have taken steps to address these issues, including the new appointment of an experienced managing director to the company. These steps have shown an improvement in the results with a return to profitability in the year to 31 August 2001.

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

It is proposed to transfer the loss for the year of £565,904 to reserves.

The directors and their interests in shares of the company

The directors who served the company during the year were as follows:

R I Woods	
I P Evans	
E R Knight	
R Stubbings	(Resigned 29 June 2001)
G P David	(Resigned 30 March 2001)
G E Barnes	(Resigned 25 August 2000)
A T Fry	(Resigned 29 June 2000)

None of the directors held any shares in the company at the beginning or end of the year.

The interests of R I Woods and E R Knight in the shares of group companies are shown in the directors' report of The Salex Group Limited, the ultimate parent company.

The other directors who held office at 31 August 2000 had no interest in the shares of The Salex Group Limited.

D J Gibson was appointed as a director on 4 September 2000.

Fixed assets

The changes in fixed assets during the year are explained in note 9 to the financial statements.

Liability insurance for company officers

As permitted by the Companies Act 1985, the company has maintained insurance cover for the directors against liabilities in relation to the company.

SOUND ATTENUATORS LIMITED

DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 AUGUST 2000

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 7 to 8, and then apply them consistently;

make judgements and estimates that are reasonable and prudent.

The directors must also 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. The directors 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

A resolution to re-appoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



E R Knight
Director

25/09/2001
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SOUND ATTENUATORS LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS

YEAR ENDED 31 AUGUST 2000

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 8.

Respective responsibilities of the directors and the auditors

As described on page 3, the company's directors are responsible for the preparation of the 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 August 2000 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate
Regent's Park
London
NW1 4QS

26 September 2001



BLICK ROTHENBERG
Chartered Accountants
Registered Auditors

SOUND ATTENUATORS LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 AUGUST 2000

	Note	2000 £	1999 £
Turnover	2	6,186,643	6,616,043
Cost of sales		<u>(3,750,347)</u>	<u>(3,767,586)</u>
Gross profit		2,436,296	2,848,457
Administrative expenses		<u>(3,133,885)</u>	<u>(3,239,792)</u>
Other operating income	3	130,707	111,230
Operating loss	4	<u>(566,882)</u>	<u>(280,105)</u>
Interest payable	7	(125,771)	(93,749)
Loss on ordinary activities before taxation		<u>(692,653)</u>	<u>(373,854)</u>
Tax on loss on ordinary activities	8	126,749	116,946
Loss for the financial year		<u>(565,904)</u>	<u>(256,908)</u>

The company has no recognised gains or losses other than the results for the year as set out above.

All of the activities of the company are classed as continuing.

SOUND ATTENUATORS LIMITED

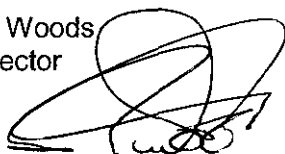
BALANCE SHEET

31 AUGUST 2000

	Note	£	2000 £	£	1999 £
Fixed assets					
Tangible assets	9		494,324		567,617
Current assets					
Stocks	10	440,417		311,194	
Debtors	11	2,429,368		1,982,367	
Cash at bank and in hand		5,304		6,344	
		<u>2,875,089</u>		<u>2,299,905</u>	
Creditors: Amounts falling due within one year	12	<u>(3,814,988)</u>		<u>(2,022,324)</u>	
Net current (liabilities)/assets			<u>(939,899)</u>		<u>277,581</u>
Total assets less current liabilities			<u>(445,575)</u>		<u>845,198</u>
Creditors: Amounts falling due after more than one year	13		<u>(288,493)</u>		<u>(972,365)</u>
			<u>(734,068)</u>		<u>(127,167)</u>
Provisions for liabilities and charges					
Deferred taxation	15		-		(40,997)
			<u>(734,068)</u>		<u>(168,164)</u>
Capital and reserves					
Called-up equity share capital	20		201,019		201,019
Share premium account	21		3,375		3,375
Profit and loss account	21		<u>(938,462)</u>		<u>(372,558)</u>
Deficiency	22		<u>(734,068)</u>		<u>(168,164)</u>

These financial statements were approved by the directors on the 25/09/2001 and are signed on their behalf by:

R I Woods
Director



SOUND ATTENUATORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2000

1. Accounting policies

1.1 Basis of accounting

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

1.2 Turnover

Turnover represents amounts receivable for goods and services, net of VAT and trade discounts.

1.3 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Short leasehold improvements	- 20% straight line
Plant, furniture & equipment	- 10% to 20% straight line
Motor vehicles	- 25% straight line

1.4 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on estimated selling price less any further costs that are expected to be incurred to completion and disposal.

1.5 Hire purchase agreements

Assets held under hire purchase agreements and finance lease are capitalised and disclosed under tangible fixed assets at their fair value and depreciated over their useful economic lives. The capital element of the future payments is treated as a liability. The interest element is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

1.6 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the period of the lease.

1.7 Pensions

The company is part of a group defined benefit and defined contribution pension scheme. The assets of the scheme are held in a separate trustee administered fund. Contributions to the defined benefit section of the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group. Contributions to the defined contribution section are charged to the profit and loss account as incurred, in accordance with the rules of the scheme.

1.8 Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

1.9 Patents

Expenditure on patents is written off as incurred.

SOUND ATTENUATORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2000

1. Accounting policies *(continued)*

1.10 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

2. Turnover

The turnover and loss before tax are attributable to the principal activity of the company.

An analysis of turnover is given below:

	2000 £	1999 £
United Kingdom	5,801,065	6,234,985
Rest of Europe	385,578	381,058
	<u>6,186,643</u>	<u>6,616,043</u>

3. Other operating income

	2000 £	1999 £
Royalties receivable	<u>130,707</u>	<u>111,230</u>

4. Operating loss

Operating loss is stated after charging/(crediting):

	2000 £	1999 £
Depreciation	194,583	195,330
Profit on disposal of fixed assets	(5,360)	(3,800)
Operating lease costs:		
- land and buildings	342,564	359,617
- plant and equipment	<u>4,349</u>	<u>6,557</u>

5. Particulars of employees

The average number of staff employed by the company during the financial year was:

	2000 Number	1999 Number
Production	64	75
Selling and distribution	26	21
Administration	28	41
	<u>118</u>	<u>137</u>

SOUND ATTENUATORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2000

5. Particulars of employees (continued)

The aggregate payroll costs of the above were:

	2000 £	1999 £
Wages and salaries	2,249,589	2,447,115
Social security costs	181,206	198,254
Other pension costs	129,231	129,014
	<u>2,560,026</u>	<u>2,774,383</u>

6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2000 £	1999 £
Emoluments receivable	236,494	232,925
Value of company pension contributions to money purchase schemes	18,321	19,426
	<u>254,815</u>	<u>252,351</u>

Emoluments of highest paid director:

	2000 £	1999 £
Total emoluments (excluding pension contributions):	52,865	50,176
Value of company pension contributions to money purchase schemes	5,007	4,181
	<u>57,872</u>	<u>54,357</u>

The number of directors who are accruing benefits under company pension schemes were as follows:

	2000 Number	1999 Number
Money purchase schemes	2	2
Final salary scheme	3	3

7. Interest payable

	2000 £	1999 £
Interest payable on bank borrowing	117,717	90,487
Hire purchase interest	3,014	3,262
Other similar charges payable	5,040	-
	<u>125,771</u>	<u>93,749</u>

SOUND ATTENUATORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2000

8. Tax on loss on ordinary activities

	2000 £	1999 £
Receipt in respect of group relief	(85,752)	(113,613)
Decrease in deferred tax provision	(40,997)	(3,333)
	<u>(126,749)</u>	<u>(116,946)</u>

There is no charge to corporation tax due to losses in the year.

9. Tangible fixed assets

	Short leasehold improvements £	Plant, furniture and equipment £	Motor vehicles £	Total £
Cost				
At 1 September 1999	101,738	2,527,506	277,675	2,906,919
Additions	-	34,669	86,621	121,290
Disposals	-	(5,899)	(50,249)	(56,148)
At 31 August 2000	<u>101,738</u>	<u>2,556,276</u>	<u>314,047</u>	<u>2,972,061</u>
Depreciation				
At 1 September 1999	101,738	2,055,014	182,550	2,339,302
Charge for the year	-	124,307	70,276	194,583
On disposals	-	(5,899)	(50,249)	(56,148)
At 31 August 2000	<u>101,738</u>	<u>2,173,422</u>	<u>202,577</u>	<u>2,477,737</u>
Net book value				
At 31 August 2000	<u>-</u>	<u>382,854</u>	<u>111,470</u>	<u>494,324</u>
At 31 August 1999	<u>-</u>	<u>472,492</u>	<u>95,125</u>	<u>567,617</u>

Assets held under hire purchase and finance lease agreements:

Included in net book value are the following amounts in relation to assets held under hire purchase and finance lease agreements:

	2000 £	1999 £
Net book value at end of year	<u>354,023</u>	<u>381,908</u>
Depreciation charge for the year	<u>114,726</u>	<u>92,700</u>

SOUND ATTENUATORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2000

10. Stocks

	2000 £	1999 £
Raw materials	297,778	220,310
Work in progress	142,639	90,884
	<u>440,417</u>	<u>311,194</u>

11. Debtors

	2000 £	1999 £
Trade debtors	2,326,528	1,798,113
Amounts owed by group undertakings	-	65,493
Prepayments and accrued income	102,840	118,761
	<u>2,429,368</u>	<u>1,982,367</u>

12. Creditors: Amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	1,112,238	652,627
Trade creditors	1,253,742	807,062
Amounts owed to group undertakings	745,539	-
Hire purchase agreements	62,724	71,727
Other taxation and social security	203,944	217,573
Other creditors	72,616	61,245
Accruals and deferred income	364,185	212,090
	<u>3,814,988</u>	<u>2,022,324</u>

Details of security over bank borrowings are given in note 13.

13. Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Amounts due to fellow subsidiary undertaking	-	550,000
Bank loans and overdrafts	150,000	275,000
Hire purchase agreements	138,493	147,365
	<u>288,493</u>	<u>972,365</u>

The bank loans and overdrafts are secured by way of fixed and floating charges over all the property and assets of the company. They include a medium-term loan of £250,000 (1999:£350,000) of which £100,000 is included in creditors falling due within one year. The loan is repayable in quarterly instalments of £25,000 with interest being charged at 3% over bank base rate.

SOUND ATTENUATORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2000

14. Pensions

Contributions to the group pension scheme are made on the basis of professional actuarial advice.

Particulars of the actuarial valuation of the group scheme are contained in the financial statements of the ultimate parent company.

15. Deferred taxation

	2000 £	1999 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	40,997	44,330
Decrease in provision	(40,997)	(3,333)
Provision carried forward	<u>-</u>	<u>40,997</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2000 £	1999 £
Excess of taxation allowances over depreciation on fixed assets	-	38,883
Other timing differences	-	2,114
	<u>-</u>	<u>40,997</u>

Deferred tax is provided at --% (1999: 30%).

16. Obligations under hire purchase and finance lease agreements

The maturity of these amounts is as follows:

	2000 £	1999 £
Amounts payable within one year	62,724	71,727
Amounts payable between two to five years	127,229	119,324
Amounts payable after more than five years	11,264	28,041
	<u>201,217</u>	<u>219,092</u>

SOUND ATTENUATORS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2000

17. Commitments under operating leases

At 31 August 2000 the company had annual commitments under non-cancellable operating leases as set out below.

	2000		1999	
	Land & buildings £	Other items £	Land & buildings £	Other items £
Operating leases which expire:				
Within one year	-	27,684	-	5,056
Within two to five years	113,800	11,278	113,880	33,153
After more than five years	54,000	-	54,000	-
	<u>167,800</u>	<u>38,962</u>	<u>167,880</u>	<u>38,209</u>

18. Contingencies

The company has guaranteed, and secured by fixed and floating charges on its own assets and undertakings, bank borrowings and other liabilities of other group companies, the amount outstanding at 31 August 2000 being £44,720 (1999: £27,831).

19. Related party disclosures

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8, Related Party Transactions, from disclosing transactions with fellow subsidiary undertakings whose accounts are included in the consolidated financial statements of The Salex Group Limited.

During the year Graham Barnes, a director of the company until 25 August 2000, purchased a company car for £3,000. There were no further transactions during the year with other related parties.

20. Share capital

Authorised share capital:

	2000 £	1999 £
250,672 Ordinary shares of £1 each	<u>250,672</u>	<u>250,672</u>

Allotted, called up and fully paid:

	2000 £	1999 £
201,019 Ordinary shares of £1 each	<u>201,019</u>	<u>201,019</u>

SOUND ATTENUATORS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2000

21. Reserves

	Share premium account £	Profit and loss account £
Balance brought forward	3,375	(372,558)
Loss for the year	-	(565,904)
Balance carried forward	<u>3,375</u>	<u>(938,462)</u>

22. Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Loss for the financial year	(565,904)	(256,908)
Opening shareholders' equity funds	<u>(168,164)</u>	<u>88,744</u>
Closing shareholders' equity funds	<u>(734,068)</u>	<u>(168,164)</u>

23. Parent undertaking and control

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is The Salex Group Limited, a company incorporated in England. Group financial statements are available to the public from Companies House, Crown Way, Cardiff, CF4 3UZ.

The directors regard The Salex Group Limited as being the ultimate parent company.

The directors regard R I Woods as being the ultimate controlling party.