

**Nimbus Diamond Tool and Machine
Company Limited**

Annual report

for the year ended 31 December 1997

Registered no: 1407607



Nimbus Diamond Tool and Machine Company Limited

Annual report for the year ended 31 December 1997

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Nimbus Diamond Tool and Machine Company Limited

Directors and advisers

Directors

D N Rimmer (Chairman)
M D Haydon
I R Cole
J Russell
R W J Hall
D J Meer
K J Hollingdale

Secretary and registered office

M D Haydon
Albert Drive
Burgess Hill
West Sussex
RH15 9TN

Registered Auditors

Coopers and Lybrand

Bankers

Barclays Bank PLC

Nimbus Diamond Tool and Machine Company Limited

Directors' report for the year ended 31 December 1997

The directors present their report and the audited financial statements of the company for the year ended 31 December 1997.

Principal activities

The company's principal activities are the manufacture and distribution of diamond tools and equipment.

Results and dividends

The results for the year are set out in the profit and loss account on page 7. The directors do not recommend the payment of a dividend (1996:£Nil).

Purchase of own shares

On 13 January 1997, the company purchased its own shares out of accumulated reserves at a cost of £2,349,000. Further details of the share buyback are given in note 17.

Directors

The directors during the year were:

J Russell	
M D Haydon	
I R Cole	(appointed 17 January 1997)
R W J Hall	(appointed 17 January 1997)
D N Rimmer	(appointed 17 January 1997)
D J Meer	(appointed 23 June 1997)
K J Hollingdale	(appointed 6 August 1997)
H Liemke	(resigned 17 January 1997)

Directors' interests in shares in the company

No director had a beneficial interest in the shares of Nimbus Diamond Tool and Machine Company Limited or in the shares of Unicorn International PLC, the immediate parent company or Compagnie de Saint-Gobain, the ultimate parent company.

Nimbus Diamond Tool and Machine Company Limited

Directors' interests in loan notes of Abrasives PLC

On 31 July 1997, Abrasives PLC issued 1,851,656 floating rate unsecured loan notes 2004 at the nominal value of £1 as part consideration for the purchase of shares in Unicorn International PLC. The loan notes are redeemable at par at the option of the holder at six monthly intervals between 30 June 1998 and 30 June 2004.

Interest is payable on the loan notes at 0.5% below the average quoted market interest rates on six monthly sterling deposits of £1,000,000 from two London clearing banks.

D N Rimmer and I R Cole are also directors of Abrasives PLC, and accordingly their interests in the loan stock of Abrasives PLC are disclosed in that company.

R W J Hall is also a director of Unicorn International PLC and accordingly his interests in the loan stock of Abrasives PLC are disclosed in that company's accounts.

The interests of J Russell in the loan stock of Abrasives PLC are set out below:

	1997
	£
J Russell	121,230

Employees

The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

The company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made where possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Research and development

The company is committed to research and development activities in order to secure its position as a market leader in the diamond tool products industry. The expenditure during the year is set out in note 9 to the financial statements.

Nimbus Diamond Tool and Machine Company Limited

Political and charitable donations

During the year the company made charitable donations of £1,695 (1996: £1,342)

Auditors

Fisher & Co resigned as auditors on 12 December 1997. Following the resignation of Fisher & Co, Coopers & Lybrand were appointed as auditors.

Coopers & Lybrand merged with Price Waterhouse on 1 July 1998 and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



M D Haydon
Secretary

27 October 1998

Nimbus Diamond Tool and Machine Company Limited

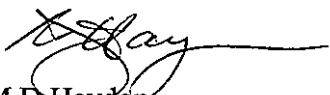
Statement of directors' responsibilities

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 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 financial statements for the year ended 31 December 1997. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a 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



M D Haydon
Secretary

27 October 1998

Nimbus Diamond Tool and Machine Company Limited

Report of the auditors to the members of Nimbus Diamond Tool and Machine Company Limited

We have audited the financial statements on pages 7 to 18.

Respective responsibilities of directors and auditors

As described on page 5, 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 at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

**Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham**

30 October 1998

Nimbus Diamond Tool and Machine Company Limited

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £'000	1996 £'000
Turnover - continuing operations	2	7,613	7,390
Cost of sales		(4,507)	(3,956)
Gross profit		3,106	3,434
Operating expenses	3	(2,009)	(2,435)
Exceptional bonus charge	4	(337)	-
Total operating expenses		(2,346)	(2,435)
Operating profit - continuing operations		760	999
Interest receivable and similar income	7	9	12
Interest payable and similar charges	8	(224)	(54)
Profit on ordinary activities before taxation	9	545	957
Tax on profit on ordinary activities	10	(162)	(360)
Retained profit for the year		383	597

Movements on reserves are set out in note 18.

All income and expenses are from continuing operations.

There are no other recognised gains and losses other than those included in the profit for the year stated above.

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

Nimbus Diamond Tool and Machine Company Limited

Balance sheet at 31 December 1997

	Notes	1997 £'000	1996 £'000
Fixed assets			
Tangible assets	11	<u>621</u>	<u>645</u>
Current assets			
Stocks	12	1,819	1,970
Debtors: amounts falling due after one year	13	300	-
Debtors: amounts falling due within one year	13	2,732	2,167
Cash at bank and in hand		244	406
		<u>5,095</u>	<u>4,543</u>
Creditors: amounts falling due within one year	14	<u>(1,635)</u>	<u>(1,706)</u>
Net current assets		<u>3,460</u>	<u>2,837</u>
Total assets less current liabilities		<u>4,081</u>	<u>3,482</u>
Creditors: amounts falling due after more than one year	15	<u>(2,702)</u>	<u>(137)</u>
Net assets		<u>1,379</u>	<u>3,345</u>
Capital and reserves			
Called up share capital	17	-	-
Profit and loss account	18	1,379	3,345
Equity shareholders' funds		<u>1,379</u>	<u>3,345</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 27 October 1998 and were signed on its behalf by:


M D Haydon
Director

Nimbus Diamond Tool and Machine Company Limited

Notes to the financial statements for the year ended 31 December 1997

1 Principal Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies which have been consistently applied is set out below.

Basis of accounting

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

The company is a wholly owned subsidiary of Compagnie de Saint-Gobain, a company incorporated in France which prepares consolidated accounts and accordingly the company has taken advantage of the exemption not to publish its own cash flow statement.

Turnover

Turnover, which excludes sales taxes, intra divisional sales and trade discounts, represents the invoiced value of goods and services supplied.

Development expenditure

Research and development expenditure is written off as incurred. Research laboratory equipment is written off over its expected life.

Fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal rates used for this purpose are:

	%
Freehold buildings	2
Plant and machinery	10
Motor vehicles	25
Computer hardware	50
Computer software	50

Acquired assets are written off at the above rates.

Leasehold land and buildings are amortised over 50 years or, if shorter, the period of the lease. Freehold land is not depreciated.

Nimbus Diamond Tool and Machine Company Limited

Leasing and hire purchase commitments

Assets held under hire purchase contracts are treated as if they had been purchased outright and are capitalised. The corresponding obligations under these contracts are included in creditors. Payments under such contracts are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account on a straight line basis.

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related asset's useful life. Other grants are credited to the profit and loss account when received.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes all direct handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Foreign currencies

All foreign exchange differences arising on transactions undertaken in foreign currencies are taken to the profit and loss account in the period in which they arise.

Investment income

Income from investments is included, together with the related tax credit, in the profit and loss account on an accruals basis.

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.

Pension costs and other post retirement benefits

The company operates a defined contribution pension scheme. The charge to the profit and loss account represents the premiums payable for the year.

The company provides no other post retirement benefits to its employees.

Nimbus Diamond Tool and Machine Company Limited

2 Analysis of turnover

The company's turnover is attributable to its principal activity. The analysis by geographical area of the company's turnover is set out below:

	1997 Sales by destination £'000	1996 Sales by destination £'000
Geographical area		
United Kingdom	7,094	6,934
Rest of Europe	372	241
North America	4	52
Asia	99	144
Rest of world	44	19
	<u>7,613</u>	<u>7,390</u>

3 Operating expenses

	1997 £'000	1996 £'000
Continuing operations		
Distribution costs	139	767
Administration expenses	1,870	1,668
	<u>2,009</u>	<u>2,435</u>

4 Exceptional item

The exceptional operating charge comprises a one off bonus payment to M D Haydon.

Nimbus Diamond Tool and Machine Company Limited

5 Directors' emoluments

	1997 £'000	1996 £'000
Aggregate emoluments	643	248
Company pension contributions to money purchase schemes	<u>8</u>	<u>-</u>
	<u>651</u>	<u>248</u>

Highest paid director

Aggregate emoluments	428	105
Company pension contributions to money purchase schemes	<u>1</u>	<u>-</u>
	<u>429</u>	<u>105</u>

No director waived emoluments in respect of the period ended 31 December 1997.

D N Rimmer, I R Cole and R W J Hall are all directors of Unicorn International PLC, the company's immediate parent company, and were remunerated by this company. Details of these director's emoluments are fully disclosed in the accounts of that company.

6 Employee information

The average monthly number of persons (including directors) employed by the company was:

	1997 Number	1996 Number
By function		
Manufacturing	55	49
Sales and administration	31	36
	<u>86</u>	<u>85</u>
	1997 £'000	1996 £'000
Staff costs (for the above persons)		
Wages and salaries	1,671	1,576
Social security costs	152	134
Other pension costs (see note 16)	61	59
	<u>1,884</u>	<u>1,769</u>

Nimbus Diamond Tool and Machine Company Limited

7 Interest receivable and similar income

	1997 £'000	1996 £'000
Interest receivable	9	12

8 Interest payable and similar charges

	1997 £'000	1996 £'000
Amount payable to group undertakings	187	-
On bank loans, overdrafts and other loans	29	42
Hire purchase contracts	8	12
	<u>224</u>	<u>54</u>

9 Profit on ordinary activities before taxation

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation is stated after (crediting)/charging :		
Profit on disposal of tangible fixed assets	(6)	(8)
Depreciation charge for the year		
Tangible owned fixed assets	109	254
Tangible fixed assets held under finance leases	52	68
Research and development expenditure	157	137
Auditors' remuneration	14	10
Hire of plant and machinery -operating leases	10	6
Hire of other assets	141	127

The depreciation rate applied to plant and machinery was reduced from 25% to 10% in order to comply with Unicorn group accounting policies. The effect of this change on the results for the year ended 31 December 1997 was to increase profit before taxation by £130,000.

Nimbus Diamond Tool and Machine Company Limited

10 Taxation

	1997 £'000	1996 £'000
United Kingdom corporation tax at 31.5% (1996: 33%)		
Current	<u>162</u>	<u>360</u>

11 Tangible fixed assets

	Land and buildings short lease £'000	Owened plant and machinery £'000	Total £'000
Cost			
At 1 January 1997	268	1,930	2,198
Additions	-	153	153
Disposals	-	(66)	(66)
At 31 December 1997	<u>268</u>	<u>2,017</u>	<u>2,285</u>
Depreciation			
At 1 January 1997	203	1,350	1,553
Disposal	-	(50)	(50)
Charge for period	26	135	161
At 31 December 1997	<u>229</u>	<u>1,435</u>	<u>1,664</u>
Net book value at 31 December 1997	<u>39</u>	<u>582</u>	<u>621</u>
Net book value at 31 December 1996	<u>65</u>	<u>580</u>	<u>645</u>

The net book value of tangible fixed assets includes an amount of £85,000 (1996: £147,000) in respect of assets held under hire purchase contracts.

Nimbus Diamond Tool and Machine Company Limited

12	Stocks	1997 £'000	1996 £'000
	Raw materials and consumables	507	526
	Work in progress	285	265
	Finished goods and goods for resale	1,027	1,179
		<u>1,819</u>	<u>1,970</u>

13 Debtors

	1997 £'000	1996 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>300</u>	<u>-</u>
Amounts falling due within one year		
Trade debtors	2,039	2,087
ACT recoverable	587	-
Amounts owed by group undertakings	17	-
Prepayments and accrued income	89	72
Other debtors	-	8
	<u>2,732</u>	<u>2,167</u>

14 Creditors: amounts falling due within one year

	1997 £'000	1996 £'000
Bank loan	108	201
Bank overdraft	-	9
Obligations under hire purchase contracts	29	61
Trade creditors	878	734
Amounts owed to group undertakings	109	-
Amounts owed to companies under common control	-	40
Corporation tax	167	360
Other taxation and social security	194	216
Accruals	150	85
	<u>1,635</u>	<u>1,706</u>

Nimbus Diamond Tool and Machine Company Limited

15 Creditors: amounts falling due after more than one year

	1997 £'000	1996 £'000
Amounts owed to group undertakings	2,702	-
Bank loan	-	108
Obligations under hire purchase contracts	-	29
	<u>2,702</u>	<u>137</u>
Net obligations under hire purchase contracts:		
Repayable within one year	29	61
Repayable between one and five years	-	29
	<u>29</u>	<u>90</u>
Loans comprise amounts falling due:		
Within one year	108	201
Between one and two years	-	108
	<u>108</u>	<u>309</u>

16 Pension costs

The company operated a defined contribution pension scheme on behalf of some of its directors. Contributions in respect of the scheme were charged to the profit and loss account in the period in which they were payable. The company made contributions of £61,000 to the scheme during the period (1996: £59,000).

17 Called up share capital

	1997 £	1996 £
Authorised		
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
41 Ordinary shares of £1 each (1996: 68 £1 Ordinary shares)	<u>41</u>	<u>68</u>

On 13 January 1997, the company bought back 27 Ordinary shares of £1 each for the sum of £2,349,000, representing 65.9% of the total issued share capital in order to facilitate the acquisition of the company by Unicorn International PLC.

Nimbus Diamond Tool and Machine Company Limited

18 Profit and loss account

	Profit and loss account £'000
At 1 January 1997	3,345
Purchase of own shares	(2,349)
Profit for the year	383
At 31 December 1997	<u>1,379</u>

19 Reconciliation of movement in equity shareholders' funds

	1997 £'000	1996 £'000
Opening equity shareholders' funds	3,345	2,748
Profit for the financial year	383	597
Purchase of own shares	(2,349)	-
	<u>1,379</u>	<u>3,345</u>

20 Capital commitments

	1997 £'000	1996 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>33</u>	<u>-</u>

21 Financial commitments

At 31 December 1997, the company had annual commitments under non cancellable operating leases as follows:

	1997			1996		
	Land and buildings £'000	Other £'000	Total £'000	Land and buildings £'000	Other £'000	Total £'000
Expiring within one year	-	-	-	-	-	-
Expiring between two and five years inclusive	-	65	65	-	-	-
Expiring in over five years	<u>151</u>	<u>-</u>	<u>151</u>	<u>-</u>	<u>-</u>	<u>139</u>
	<u>151</u>	<u>65</u>	<u>216</u>	<u>-</u>	<u>-</u>	<u>139</u>

Nimbus Diamond Tool and Machine Company Limited

22 Transactions with related parties

The company trades on normal commercial terms with Deudiam Diamantwerkzeuge und Maschinen GmbH and Elha Machinebau. These companies are owned by H Liemke. During the year the company purchased 2 presses (£37,200) from Elha and machinery spares (£44,932) from Deudiam. At the year end a balance of £687 was outstanding to Deudiam.

23 Ultimate and immediate parent company

The immediate parent company is Unicorn International PLC which is incorporated in England and Wales.

The company's ultimate parent company is Compagnie de Saint-Gobain, which is incorporated in France. Copies of the parent's consolidated financial statements may be obtained from the Secretary, Saint-Gobain, Les Miroirs, 18, Avenue de l'Alsace, 92096 La Defence Cedex.