

**Nimbus Diamond Tool and Machine
Company Limited**

Annual report

for the year ended 31 December 1998

Registered no: 1407607



Nimbus Diamond Tool and Machine Company Limited

Annual report for the year ended 31 December 1998

	Pages
Directors and advisers	1
Directors' report	2-4
Statement of directors' responsibilities	5
Report of the auditors	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9-18

Nimbus Diamond Tool and Machine Company Limited ¹

Directors and advisers

Directors

M D Haydon
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

PricewaterhouseCoopers
Birmingham

Bankers

National Westminster PLC
Barclays Bank PLC

Nimbus Diamond Tool and Machine Company Limited ²

Directors' report for the year ended 31 December 1998

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

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 recommend payment of a dividend of £700,000 (1997:£nil).

Directors

The directors during the year were:

J Russell
M D Haydon
I R Cole (resigned 31 October 1998)
R W J Hall
D N Rimmer (resigned 31 May 1999)
D J Meer
K J Hollingdale

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 ³

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 was also a director 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 M D Haydon and K J Hollingdale in the loan stock of Abrasives PLC are set out below:

	1997 Number	Issued during the year	Redeemed during the year	1998 Number
M D Haydon	-	99,350	(35,000)	64,350
K J Hollingdale	-	10,940	-	10,940

No other directors had any interests in the loan stock or any other shares of the company or its parent companies.

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.

Nimbus Diamond Tool and Machine Company Limited 4

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.

Political and charitable donations

During the year the company made charitable donations of £1,000 (1997: £1,695).

Year 2000

The board has made significant progress in assessing the risk to the company's business from the Year 2000 date recognition problem. An action plan has been drawn up and a timetable established to ensure that Year 2000 compliance is achieved. The costs involved in achieving compliance are not anticipated to be significant and are being charged against profits as incurred.

Auditors

A resolution to re-appoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

By order of the board



M D Haydon

Secretary

1 July 1999

Nimbus Diamond Tool and Machine Company Limited 5

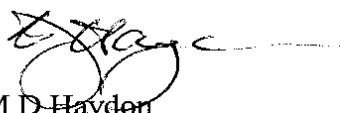
Statement of directors' responsibilities

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 1998. 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

A handwritten signature in black ink, appearing to read 'M D Haydon', with a long horizontal line extending to the right.

M D Haydon

Secretary

1 July 1999

Auditors' report to the members of Nimbus Diamond Tool and Machine Company Limited

6

We have audited the financial statements on pages 7 to 18 which have been prepared under the historical cost convention.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 5, the financial statements. Our responsibilities, as independent auditors, are established 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 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.

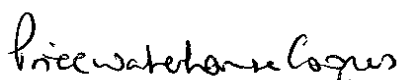
Basis of audit opinion

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 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

Birmingham

1 July 1999

Nimbus Diamond Tool and Machine Company Limited ⁷

Profit and loss account for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover – continuing operations	2	8,373	7,613
Cost of sales		(4,930)	(4,507)
Gross profit		3,443	3,106
Operating expenses	3	(2,060)	(2,009)
Exceptional bonus charge	4	-	(337)
Total operating expenses		(2,060)	(2,346)
Operating profit – continuing operations		1,383	760
Interest receivable and similar income	7	13	9
Interest payable and similar charges	8	(191)	(224)
Profit on ordinary activities before taxation	9	1,205	545
Tax on profit on ordinary activities	10	(414)	(162)
Profit on ordinary activities after taxation		791	383
Dividends	11	(700)	-
Retained profit for the year		91	383

Movements on reserves are set out in note 19.

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 as 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 8

Balance sheet at 31 December 1998

	Notes	1998	1997
Fixed assets			
Tangible assets	12	<u>643</u>	<u>621</u>
Current assets			
Stocks	13	2,023	1,819
Debtors: amounts falling due after one year	14	100	300
Debtors: amounts falling due within one year	14	2,745	2,732
Cash at bank and in hand		518	244
		<u>5,386</u>	<u>5,095</u>
Creditors: amounts falling due within one year	15	<u>(2,501)</u>	<u>(1,635)</u>
		<u>2,885</u>	<u>3,460</u>
Net current assets			
Total assets less current liabilities		<u>3,528</u>	<u>4,081</u>
Creditors: amounts falling due after more than one year	16	<u>(2,058)</u>	<u>(2,702)</u>
Net assets		<u>1,470</u>	<u>1,379</u>
Capital and reserves			
Called up share capital	18	-	-
Profit and loss account	19	1,470	1,379
Equity shareholders' funds	19	<u>1,470</u>	<u>1,379</u>

The financial statements on pages 7 to 18 were approved by the board of directors on 1 July 1999 and were signed on its behalf by


M D Haydon
Director

Nimbus Diamond Tool and Machine Company Limited ⁹

Notes to the financial statements for the year ended 31 December 1998

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	33
Computer software	33

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

Notes to the financial statements for the year ended 31 December 1998 (continued)

1 Principal accounting policies (continued)

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.

Notes to the financial statements for the year ended 31 December 1998 (continued)

1 Principal accounting policies (continued)

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.

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:

Geographical area	1998 Sales by destination £'000	1997 Sales by destination £'000
United Kingdom	7,580	7,094
Rest of Europe	582	372
North America	1	4
Asia	59	99
Rest of world	151	44
	8,373	7,613

3 Operating expenses

Continuing operations	1998 £'000	1997 £'000
Distribution costs	160	139
Administration expenses	1,900	1,870
	2,060	2,009

4 Exceptional item

The exceptional operating charge in 1997 comprises a non-recurring bonus payment to M D Haydon.

Notes to the financial statements for the year ended 31 December 1998 (continued)

5 Directors' emoluments

	1998 £'000	1997 £'000
Aggregate emoluments	364	643
Company pension contributions to money purchase schemes	4	8
	<u>368</u>	<u>651</u>
Highest paid director		
Aggregate emoluments	104	428
Company pension contributions to money purchase schemes	-	1
	<u>104</u>	<u>429</u>

No director waived emoluments in respect of the period ended 31 December 1998.

D N Rimmer, I R Cole and R W J Hall were all directors of Unicorn International PLC, the company's immediate parent company, and were remunerated by that 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:

	1998 Number	1997 Number
By function		
Manufacturing	55	55
Sales and administration	34	31
	<u>89</u>	<u>86</u>
	1998 £'000	1997 £'000
Staff costs (for the above persons)		
Wages and salaries	1,786	1,671
Social security costs	193	152
Other pension costs (see note 17)	71	61
	<u>2,050</u>	<u>1,884</u>

**Notes to the financial statements
for the year ended 31 December 1998 (continued)**

7 Interest receivable and similar income

	1998 £'000	1997 £'000
Interest receivable	<u>13</u>	<u>9</u>

8 Interest payable and similar charges

	1998 £'000	1997 £'000
Amount payable to group undertakings	184	187
On bank loans, overdrafts and other loans	-	29
Hire purchase contracts	<u>7</u>	<u>8</u>
	<u>191</u>	<u>224</u>

9 Profit on ordinary activities before taxation

	1998 £'000	1997 £'000
Profit on ordinary activities before taxation is stated after (crediting)/charging :		
Loss / (Profit) on disposal of tangible fixed assets	4	(6)
Depreciation charge for the year		
Tangible owned fixed assets	112	109
Tangible fixed assets held under finance leases	52	52
Research and development expenditure	169	157
Auditors' remuneration	14	14
Hire of plant and machinery –operating leases	1	10
Hire of other assets	<u>158</u>	<u>141</u>

10 Taxation

	1998 £'000	1997 £'000
United Kingdom corporation tax at 31% (1997: 31.5%)		
Current	420	162
Prior year	<u>(6)</u>	<u>-</u>
	<u>414</u>	<u>162</u>

Notes to the financial statements for the year ended 31 December 1998 (continued)

11 Dividends

The directors recommend payment of a dividend of £700,000 in respect of the year ended 31 December 1998 (1997: £nil).

12 Tangible fixed assets

	Land and buildings (short lease)	Owned plant and machinery	Total
	£'000	£'000	£'000
Cost			
At 1 January 1998	268	2,017	2,285
Additions	13	185	198
Disposals	-	(44)	(44)
At 31 December 1998	281	2,158	2,439
Depreciation			
At 1 January 1998	229	1,435	1,664
Disposal	-	(32)	(32)
Charge for period	27	137	164
At 31 December 1998	256	1,540	1,796
Net book value			
At 31 December 1997	25	618	643
Net book value at 31 December 1997	39	582	621

The net book value of tangible fixed assets includes £nil (1997: £85,000) in respect of assets held under hire purchase contracts.

Nimbus Diamond Tool and Machine Company Limited ¹⁵

Notes to the financial statements for the year ended 31 December 1998 (continued)

12 Stocks

	1998 £'000	1997 £'000
Raw materials and consumables	597	507
Work in progress	264	285
Finished goods and goods for resale	1,162	1,027
	<u>2,023</u>	<u>1,819</u>

13 Debtors

	1998 £'000	1997 £'000
Amounts falling due after more than one year		
Amounts owed by group undertakings	<u>100</u>	<u>300</u>
Amounts falling due within one year		
Trade debtors	2,152	2,039
ACT recoverable	485	587
Amounts owed by group undertakings	20	17
Prepayments and accrued income	88	89
	<u>2,745</u>	<u>2,732</u>

14 Creditors: amounts falling due within one year

	1998 £'000	1997 £'000
Bank loan	-	108
Obligations under hire purchase contracts	-	29
Trade creditors	956	878
Amounts owed to group undertakings	754	109
Corporation tax	420	167
Other taxation and social security	215	194
Accruals	156	150
	<u>2,501</u>	<u>1,635</u>

Nimbus Diamond Tool and Machine Company Limited 16

Notes to the financial statements for the year ended 31 December 1998 (continued)

15 Creditors: amounts falling due after more than one year

	1998 £'000	1997 £'000
Amounts owed to group undertakings	2,058	2,702
	<u>2,058</u>	<u>2,702</u>
Net obligations under hire purchase contracts:		
Repayable within one year	-	29
	<u>-</u>	<u>29</u>
Loans comprise amounts falling due:		
Within one year	-	108
	<u>-</u>	<u>108</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 £71,000 to the scheme during the period (1997: £61,000).

17 Called up share capital

	1998 £	1997 £
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 (1997: 41 £1 Ordinary shares)	<u>41</u>	<u>41</u>

Nimbus Diamond Tool and Machine Company Limited ¹⁷

Notes to the financial statements for the year ended 31 December 1998 (continued)

18 Profit and loss account

	Profit and loss account £'000
At 1 January 1998	1,379
Profit for the financial year	791
Dividend	(700)
At 31 December 1998	<u>1,470</u>

19 Reconciliation of movement in equity shareholders' funds

	1998 £'000	1997 £'000
Opening equity shareholders' funds	1,379	3,345
Profit for the financial year	791	383
Dividend	(700)	-
Purchase of own shares	-	(2,349)
Closing equity shareholders' funds	<u>1,470</u>	<u>1,379</u>

20 Capital commitments

	1998 £'000	1997 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>33</u>

Notes to the financial statements for the year ended 31 December 1998 (continued)

21 Financial commitments

At 31 December 1998, the company had annual commitments under non cancellable operating leases as follows:

	1998			1997		
	Land and Buildings	Other	Total	Land and Buildings	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Expiring within one year	-	-	-	-	-	-
Expiring between two and five years inclusive	-	7	7	-	65	65
Expiring in over five years	152	-	152	151	-	151
	<u>152</u>	<u>7</u>	<u>159</u>	<u>151</u>	<u>65</u>	<u>216</u>

22 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.