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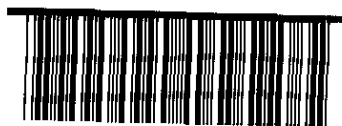
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**Rybka Smith Ginsler and Battle Scotland
Limited**

Report and Financial Statements

Year Ended

30 June 2000



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BDO Stoy Hayward
Chartered Accountants

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Annual report and financial statements for the year ended 30 June 2000

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Directors

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Directors

T Q Battle	(Non-executive)
D MacLeod	
P May	
C Hodge	
B A Bath	(Non-executive)
N F Fischer	(Non-executive)

Secretary and registered office

P May, Caledonia House, 24 Rutland Street, Edinburgh, EH1 2AN.

Company number

130511

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Report of the directors for the year ended 30 June 2000

The directors present their report together with the audited financial statements for the year ended 30 June 2000.

Results and dividends

The profit for the year before tax was £144,637 (1999 profit of - £28,995).

The directors do not recommend the payment of a dividend for the year under review.

Principal activities, trading review and future developments

The company supplies engineering design services.

The company has seen an unprecedented increase in both turnover and profitability this financial year. The Glasgow office has traded for its first complete year and has been a major contributor to the year's excellent results. The directors confidently predict further growth both in turnover and profitability for the future.

There have been no events since the balance sheet date that materially affect the position of the company.

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	2000	1999
	£	£
T Q Battle (Chairman)	2,000	2,000
D MacLeod	5,500	5,500
B A Bath	-	-
N F Fischer	-	-
P May	1,500	1,500
C Hodge	1,000	1,000

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Report of the directors for the year ended 30 June 2000 (*Continued*)

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 and of the profit or loss of the company for that period. In preparing those 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; and
- 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. They 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

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report of the directors has been prepared in accordance with the special provisions of Part VII of the Companies Act relating to small companies.

By order of the Board

P May



Secretary

Date 15TH DECEMBER 2000

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Report of the auditors

To the shareholders of Rybka Smith Ginsler and Battle Scotland Limited

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 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.

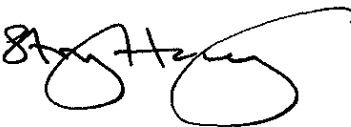
Basis of opinion

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 mis-statement, 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 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO 

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

Date 15/12/00

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED**Profit and loss account for the year ended 30 June 2000**

	Note	2000 £	1999 £
Turnover	2	1,452,141	814,821
Cost of sales		622,871	437,954
Gross profit		829,270	376,867
Administrative expenses		681,653	344,366
Operating profit	3	147,617	32,501
Interest receivable		650	-
Interest payable and similar charges	5	3,630	3,506
Profit on ordinary activities before taxation		144,637	28,995
Taxation on profit on ordinary activities	6	37,461	6,989
Retained profit for the financial year	14,15	107,176	22,006

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The notes on pages 6 to 12 form part of these financial statements.

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Balance sheet at 30 June 2000

	Note	2000	1999
		£	£
Fixed assets			
Tangible assets	7	67,715	31,309
Current assets			
Stocks	8	2,975	8,788
Debtors	9	686,232	300,613
Cash at bank and in hand		303,010	116
		<u>992,217</u>	<u>309,517</u>
Creditors: amounts falling due within one year	10	<u>875,251</u>	<u>278,566</u>
Net current assets		<u>116,966</u>	<u>30,951</u>
Total assets less current liabilities		<u>184,681</u>	<u>62,260</u>
Creditors: amounts falling due after more than one year	11	7,649	-
Provisions for liabilities and charges	12	7,716	120
		<u>169,316</u>	<u>62,140</u>
Capital and reserves			
Called up share capital	13	20,000	20,000
Profit and loss account	14	149,316	42,140
Shareholders' funds - equity	15	<u>169,316</u>	<u>62,140</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 15TH DECEMBER 2000

P May
Director



The notes on pages 6 to 12 form part of these financial statements

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers for work carried out in the year at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, over their expected useful lives. It is calculated at the following rates:

Furniture and office equipment	- 20% per annum straight line
Motor vehicles	- to reduce the net book value to realisable value

Stocks

Work in progress is stated in the financial statements at the lower of cost and net realisable value. Cost is calculated on a time spent basis using direct labour rates together with the value of attributable overheads. Net realisable value is the final contract sum less further costs to completion.

Long term contracts

Long-term contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss account as the difference between the reported turnover and related costs for that contract.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Pension costs

Contributions to personal pension schemes are charged to the profit and loss account in the year in which they become payable.

Leased assets

Operating lease annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (Continued)

2 Turnover and result

The turnover and result before tax is attributable to the company's principal activity and derived from sales in the United Kingdom.

3 Operating profit is stated after charging:

	2000	1999
	£	£
Depreciation	10,542	8,814
Auditors' remuneration	6,600	6,898
Hire of plant and machinery - operating leases	39,112	21,029
Hire of other assets – operating leases	31,500	30,417

4 Directors

	2000	1999
	£	£
Directors' emoluments (including pension contributions)	237,147	136,786

The number of directors receiving contributions to personal pension plans was 2 (1999 – 2).

5 Interest payable and similar charges

	2000	1999
	£	£
Bank overdrafts	2,960	2,424
Shareholders' loans	145	696
Bank loan	-	386
Other loans	525	-
	3,630	3,506

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

6 Taxation

	2000 £	1999 £
UK corporation tax on the result for the year	29,859	7,666
Under provision in prior year	6	6
Transfer to/(from) deferred tax	7,596	(683)
	<u>37,461</u>	<u>6,989</u>

7 Tangible fixed assets

	Motor vehicle £	Furniture and office equipment £	Total £
<i>Cost</i>			
At 1 July 1999	7,179	60,987	68,166
Additions	-	46,948	46,948
	<u>7,179</u>	<u>107,935</u>	<u>115,114</u>
At 30 June 2000			
<i>Depreciation</i>			
At 1 July 1999	7,179	29,678	36,857
Provided for the year	-	10,542	10,542
	<u>7,179</u>	<u>40,220</u>	<u>47,399</u>
At 30 June 2000			
<i>Net book value</i>			
At 30 June 2000	-	67,715	67,715
	<u>-</u>	<u>67,715</u>	<u>67,715</u>
At 30 June 1999	-	31,309	31,309
	<u>-</u>	<u>31,309</u>	<u>31,309</u>

There were no capital commitments at either this or the previous balance sheet date.

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (Continued)

8 Stocks

	2000 £	1999 £
Work in progress	2,975	8,788

The replacement value of stock is not significantly different from cost.

9 Debtors

	2000 £	1999 £
Trade debtors	670,080	237,940
Prepayments and accrued income	16,152	16,673
Amounts recoverable on contracts	-	46,000
	686,232	300,613

All debtors are due within one year.

10 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank loans and overdrafts	-	54,349
Payments on account	330,456	-
Trade creditors	149,610	37,129
Taxation and social security	120,400	69,453
Corporation tax	29,859	7,666
Other creditors	12,919	12,011
Accruals and deferred income	228,601	43,958
Other loans	3,406	54,000
	875,251	278,566

The bank borrowings of the company are secured by a floating charge on the assets of the company. Other loans are secured by a fixed charge over specific fixed asset balances.

In addition they have been guaranteed by several of the directors, by Rybka Battle Limited and by Rybka Smith and Ginsler Limited. See note 18.

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

11 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Other loans	7,649	-
	<u>7,649</u>	<u>-</u>
Other loans are due as follows:		
Within one to two years	4,086	-
Within two to five years	3,563	-
	<u>7,649</u>	<u>-</u>

12 Deferred taxation

	2000 £	1999 £
Amount provided		
Accelerated capital allowances	7,716	-
Short term timing differences	-	120
	<u>7,716</u>	<u>120</u>
Amount unprovided		
Accelerated capital allowances	-	1,344
	<u>-</u>	<u>1,344</u>
Deferred taxation movements are:	£	
At 1 July 1999	120	
Transfer from profit and loss account	7,596	
	<u>7,716</u>	
At 30 June 2000	<u>7,716</u>	

13 Share capital

	Authorised		Allotted, called up and fully paid	
	2000 £	1999 £	2000 £	1999 £
Ordinary shares of £1 each	20,000	20,000	20,000	20,000
	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

14 Profit and loss account

	2000 £	1999 £
At 1 July	42,140	20,134
Profit for year	107,176	22,006
At 30 June	149,316	42,140

15 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the year	107,176	22,006
Opening shareholders' funds	62,140	40,134
Closing shareholders' funds	169,316	62,140

16 Contingent liabilities

The company has entered into an unlimited cross guarantee with the company's bankers, The Royal Bank of Scotland Bank Plc, for the balances owing by Rybka Smith Ginsler and Battle London Limited. At the year end the amount guaranteed was £84,526 (1999 - £42,430).

17 Commitments under operating leases

As at 30 June 2000, the company had annual commitments under non-cancellable operating leases expiring as set out below:

	2000		1999	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	5,000	-	-	3,761
In one to two years	-	20,390	-	-
In two to five years	-	21,299	-	20,390
After five years	-	-	-	440
	5,000	41,689	-	24,591

RYBKA SMITH GINSLER AND BATTLE SCOTLAND LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (Continued)

18 Related party transactions

During the year, T Q Battle, who is a director of the company, invoiced £6,000 (1999 - £6,000) to the company for consultancy services.

During the year the company was involved in the following transactions with Rybka Smith Ginsler and Battle London Limited.

Management fee suffered	£34,765 (1999 - £22,759)
-------------------------	--------------------------

This transactions is considered to be at an arm's length price.

The outstanding balance between the companies at the year end was a creditor of £12,919 (1999 - £12,071).

Both companies are 50% owned by Rybka Smith and Ginsler Limited, a company incorporated in Canada.

In addition the company was involved in the following transactions with Rybka Smith and Ginsler Limited:

Consultancy fees received	£33,009 (1999 - £61,628)
Management fee suffered	£ 26,228 (1999 - £1,000)

These transactions are considered to be at arm's length prices.

The outstanding balance between the companies at the year end was a debtor of £15,730 (1999 - £26,411).

Limited guarantees for bank borrowings have been provided by Rybka Smith and Ginsler Limited, Rybka Battle Limited and by directors as listed below:

P May
D MacLeod
C Hodge
TQ Battle

19 Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 (Revised) not to prepare a cash flow statement on the grounds that it is a small company as defined by the Companies Act 1985.