Registered No: 138019, Scotland

Flexible Technology Limited

Abbreviated Financial Statements for the year ended 31 July 2002



Flexible Technology Limited

Directors

Prof P K Timms CBE
(Chairman)
Mr N H Lamond

Secretaries

TM Company Services Limited
33 Bothwell Street
GLASGOW
G2 6NL

Registered office

Townhead
Rothesay
ISLE OF BUTE
PA20 9JH

Registered Auditors

PricewaterhouseCoopers
Kintyre House
209 West George Street
GLASGOW
G2 2LW

Bankers

Royal Bank of Scotland
Tay House
300 Bath Street
GLASGOW
G2 4RS

Solicitors

Tods Murray WS
33 Bothwell Street
GLASGOW
G2 6NL

Report of the directors in respect of the year ended 31 July 2002

The directors present the abbreviated financial statements for the year ended 31st July 2002.

Principal activities

The principal activity of the company is the manufacture of flexible printed circuits and assemblies.

Results and dividends

The results for the year are as shown in the profit and loss account. The dividends for the year are set out in Note 20.

Review of business and future developments

The directors are satisfied with performance in the year, despite the continuing economic downturn. There are encouraging signs for the future.

Directors

The directors of the company during the whole of the year ended 31 July 2002 were:

Prof P K Timms CBE (Chairman)
Mr N H Lamond

Directors' interests in shares

The interests of the directors on 31 July 2002 in the shares of the company were as follows:

	2002 Ordinary shares of £1	2001 Ordinary shares of £1
Prof P K Timms CBE	191,000	191,000
Mr N H Lamond	-	-

All the interests shown were beneficial and include family interests where appropriate.

Statement of 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 which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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

PricewaterhouseCoopers were appointed as auditors by the company with effect from July 1998.The company has adopted an elective resolution pursuant to Section 386 of the Companies Act 1985 to dispense, inter alia, with the obligation to re-appoint the auditors annually. In the absence of a notice proposing that the appointment be terminated, PricewaterhouseCoopers will continue in office as auditors.

By order of the Board

TM Company Services Limited
Secretary
33 Bothwell Street
GLASGOW

17 October 2002

Report of the auditors to the directors of Flexible Technology Limited under S247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 5 to18 together with the annual financial statements of Flexible Technology Limited for the year ended 31 July 2002

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated financial statements in accordance with S246A of the Companies Act 1985. It is our responsibility, as independent auditors, to form an independent opinion as to the company's entitlement to deliver abbreviated financial statements prepared in accordance with S246A(3) of the Companies Act 1985 and whether the abbreviated financial statements are properly prepared in accordance with that provision and report our opinion to you.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the annual financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements are properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the annual financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with S246A(3) of the Companies Act 1985 and the abbreviated financial statements are properly prepared in accordance with that provision.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Glasgow
17 October 2002

Flexible Technology Limited

Profit and loss account for the year ended 31 July 2002

Note		Continuing Operations 2002 £	£	2001 £	£
	Profit before taxation		**108,382**		113,801
7	**Taxation**		**(25,831)**		(29,000)
	Profit before taxation		**12,421**		108,382
8	**Taxation**		**19,459**		(25,831)
	Profit after taxation		**31,880**		82,551
	Non-equity dividends and appropriations:				
20	Dividend for the year	**(17,500)**		(44,562)	
20	Dividend not yet declared	**(27,062)**		-	
17	Appropriation for future redemption	**(3,667)**		(3,667)	
			(48,229)		(48,229)
17	**(Loss)/profit for the year**		**(16,349)**		34,322

The company has no recognised gains or losses other than those included in the profit above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet as at 31 July 2002

Notes		£	2002 £	£	2001 £
9	**Fixed assets**		**568,472**		565,491
	Current assets				
10	Stocks	**344,075**		294,557	
11	Debtors	**443,348**		512,749	
	Cash and bank balances	**281,975**		416,260	
		1,069,398		1,223,566	
12	**Creditors:** amounts due within one year	**471,181**		577,177	
	Net current assets		**598,217**		646,389
	Total assets less current liabilities		**1,166,689**		1,211,880
13	**Creditors:** amounts due after more than one year	**219,300**		271,173	
14	**Accruals and deferred income**	**23,706**		15,904	
15	**Provisions for liabilities and charges**	**49,000**		64,500	
			292,006		351,577
			874,683		860,303
	Capital and Reserves				
16	Called up share capital		**791,000**		791,000
17	Profit and loss account		**23,683**		9,303
17	Capital redemption reserve		**60,000**		60,000
	Equity shareholders' funds		**185,624**		164,989
	Non-equity shareholders' funds		**689,059**		695,314
18	Total shareholders' funds		**874,683**		860,303

These accounts were approved by the board on 17 October 2002.

Professor P K Timms CBE
Director

Cashflow statement for the year ended 31 July 2002

Notes		2002 £	2001 £
23	**Net cash inflow from operating activities**	10,131	133,610
	Returns on investments and servicing of finance		
	Interest paid	(35,493)	(40,803)
	Interest received	11,066	24,168
	Non-equity dividends paid	-	(81,700)
		(24,427)	(98,335)
	Taxation		
	UK tax paid	(17,397)	(15,023)
	Capital expenditure and financial investment		
	Purchase of fixed assets	(76,636)	(8,117)
	Grant received	20,000	19,580
		(56,636)	11,463
	Cash inflow before financing	(88,329)	31,715
	Financing		
	Repayment of debt	(45,956)	(42,733)
	Redemption of preference shares	-	-
		(45,956)	(42,733)
	Increase/(Decrease) in cash in the year	(134,285)	(11,018)
	Reconciliation to net debt		
24	**Increase/(Decrease) in cash in the year**	(134,285)	(11,018)
24	**Cash outflow from decrease in debt and lease finance**	45,956	42,733
24	**Movement in net debt in the year**	(88,329)	31,715
24	**Net debt at 31 July 2001**	99,133	67,418
24	**Net debt at 31 July 2002**	10,804	99,133

Notes to the accounts for the year ended 31 July 2002

1 Accounting policies

(a) Accounting Standards

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 applied is set out below. In November and December 2000, the Accounting Standards Board issued FRS 17 "Retirement Benefits", FRS18 "Accounting Policies" and FRS 19 "Deferred Tax" . The company has adopted these standards in the preparation of these financial statements as is applicable for the year ended 31 July 2002.

(b) Basis of accounting

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

(c) Foreign currencies

Exchange profits less losses resulting from the year's trading are accounted for in the results for the year. Assets and liabilities expressed in foreign currencies are translated into sterling at the exchange rates ruling at the end of the financial year, or at forward rates where covered by forward exchange contracts.

(d) Fixed assets

Fixed assets are stated at historical cost less accumulated depreciation.

(e) Depreciation

Depreciation of fixed assets is provided on a straight line basis at such rates as will write off the cost or valuation of the assets over their expected useful working lives. The principal rates used for this purpose are:

Land and buildings	4%
Plant, machinery and equipment acquired with the business	20%
New plant and machinery	12.5%
New fixtures and fittings	12.5%
New office equipment and computer equipment	25%

(f) **Finance and operating leases**

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

The cost of assets acquired under finance leases is included under fixed assets as though the asset had been purchased outright. The capital element of the leasing obligations is included under creditors and the interest element is charged against profit. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of the equivalent owned assets.

(g) **Stocks**

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and all overheads appropriate to the relevant stage of production. Net realisable value represents the estimated amount at which stocks and work in progress will be realised after taking into account all relevant marketing, selling and distribution costs.

(h) **Deferred taxation**

Provision is made for deferred taxation arising from timing differences unless, in the opinion of the directors, there is a reasonable probability that no liability will crystallise in the foreseeable future.

(i) **Government grants**

Development grants and other government grants of a capital nature are credited to trading profit over the estimated working lives of the assets on which the grants are receivable.

(j) **Pension scheme**

The company contributes to employees' defined contribution personal pension plans. The cost of the company's contributions is included in the results for the year.

2 Turnover

Turnover represents the invoiced value of goods and services provided to third parties, excluding value added tax and similar taxes levied overseas.

The geographical analysis of turnover is:

	2002 £	2001 £
United Kingdom	**1,426,105**	1,515,755
EC and Western Europe	**682,355**	1,110,032
North America	**45,841**	45,155
South Africa and Pacific Rim	**101,670**	94,940
	2,255,971	2,765,882

3 Net operating expenses

Net operating expenses are made up as follows:

	2002 £	2001 £
Distribution and selling costs	**198,096**	256,156
Administration expenses	**106,015**	123,849
	304,111	380,005

4 Operating profit

Operating profit is stated after charging:

	2002 £	2001 £ As restated
Directors' emoluments	**66,485**	81,619
Auditors' remuneration for audit services	**9,324**	9,296
Auditors' remuneration for non - audit services	**605**	1,700
Depreciation of tangible fixed assets		
- owned	**69,925**	61,995
- leased	**3,730**	3,730
Other operating leases	**16,517**	24,298

5 Directors' emoluments

Directors' emoluments comprise emoluments (including pension contributions) for management services.

6 Employee information

Employment costs of all employees (including directors) were:

	2002 £	2001 £
Aggregate gross wages and salaries	**865,654**	849,105
Employer's national insurance contributions	**64,995**	63,215
Employer's pension costs	**17,316**	32,473
	947,965	944,793

The average number of persons employed by the company during the year is analysed as follows:

	2002 Number	2001 Number
Production	63	64
Distribution and selling	4	4
Administration	3	3
	70	71

7 Interest paid and payable and similar charges

	2002 £	2001 £
On other loans, repayable in equal instalments by 31 October 2006	35,493	40,803

8 Taxation

	2002 £	2001 £
UK Corporation Tax (20%) (2001: 20%)	(3,959)	17,331
Deferred Tax	(15,500)	8,500
	(19,459)	25,831
Expected tax charge at small companies' rate	2,484	21,676
Permanent Timing differences	1,839	4,155
Rate change in deferred tax charge	(23,782)	-
	(19,459)	25,831

9 Tangible fixed assets

	Land and Buildings £	Plant and machinery £	Fixtures and Fittings £	Total £
Cost				
At 1 August 2001	561,846	463,937	139,402	1,165,185
Additions	-	71,654	4,982	76,636
At 31 July 2002	**561,846**	**535,591**	**144,384**	**1,241,821**
Depreciation				
At 1 August 2001	129,225	356,188	114,281	599,694
Charged against profit	22,474	33,579	17,602	73,655
At 31 July 2002	**151,699**	**389,767**	**131,883**	**673,349**
Net book value				
At 31 July 2002	**410,147**	**145,824**	**12,501**	**568,472**
At 31 July 2001	432,621	107,749	25,121	565,491

10 Stocks

Stocks comprise

	2002 £	2001 £
Raw materials and consumables	**201,312**	184,614
Work in progress	**142,763**	109,943
	344,075	294,557

11 Debtors

Amounts falling due within one year:

	2002 £	2001 £
Trade debtors	423,054	492,202
Other debtors	3,233	1,533
Prepayments and accrued income	13,102	19,014
Corporation tax recoverable	3,959	-
	443,348	512,749

12 Creditors: amounts due within one year

	2002 £	2001 £
Trade creditors	175,984	219,160
Value Added Tax	25,488	11,622
Other taxation and social security	17,937	16,958
Accruals and sundry creditors	92,537	178,722
Trading Creditors	311,946	426,462
Loan - Argyll & Islands Enterprise	51,782	45,954
UK Corporation tax	-	17,308
Preference Dividends	97,755	80,255
Capital Grant Reserve	9,698	7,198
	471,181	577,177

The bank overdraft facility (currently unutilised) is secured by a bond and floating charge over the assets of the company, granted in favour of the Royal Bank of Scotland Plc.

The loan from Argyll and Islands Enterprise bears interest at 12% per annum, is secured over the company's land and buildings and is repayable in equal instalments by 31 October 2006.

13 Creditors: amounts due after more than one year

These comprise:

	2002 £	2001 £
Loan - Argyll & Islands Enterprise	**219,300**	**271,173**

14 Accruals and deferred income: grants

	2002 £	2001 £
At 1 August 2001	**23,102**	10,720
Received in year	**20,000**	19,580
Released in year	**(9,698)**	(7,198)
Capital Grant Reserve Account	**33,404**	23,102
Due within one year	**(9,698)**	(7,198)
Due after more than one year at 31 July 2002	**23,706**	15,904

15 Provision for liabilities and charges

	2002 £	2001 £
Deferred Taxation	**49,000**	64,500

The provision for deferred taxation represents the full provision in respect of all timing differences resulting from accelerated capital allowances. The movement in deferred taxation in the year is as follows:-

	£
At 1 August 2001	64,500
Credit for the year	(15,500)
	49,000

16 Share capital

	Authorised 31 July		Issued 31 July	
	2002	2001	**2002**	2001
	£	£	**£**	£
Ordinary shares of £1 each ("Ordinary shares")	**200,000**	200,000	**161,000**	161,000
5% (net) Cumulative redeemable preference shares of £1 each ("CRP Shares")	**350,000**	350,000	**350,000**	350,000
6.33% (net) Cumulative redeemable preference shares of £1 each ("Preferred shares")	**175,000**	175,000	**115,000**	115,000
Cumulative convertible participating preferred ordinary shares of £1 each ("CCPPO shares")	**25,000**	25,000	**25,000**	25,000
AIEC Preference shares of £1 each ("AIEC Preference shares")	**120,000**	120,000	**120,000**	120,000
AIEC Preferred ordinary shares of £1 each ("AIEC Preferred ordinary shares")	**20,000**	20,000	**20,000**	20,000
	890,000	890,000	**791,000**	791,000

The preferred shares were redeemable on the following terms:

On 30 June 2001, 60,000 shares at a redemption price of £1.40 per share;
On 30 June 2002, 55,000 shares at a redemption price of £1.60 per share.
Discussions with the preferred shareholders regarding redemptions proposals are ongoing

The AIEC Preference shares shall be redeemed by the company on 31 December 2002 at a price of £1 per share. If at that time the company is unable to comply with the statutory requirements relating to redemption it shall redeem the shares as soon as it is able to do so. In this event the redemption price shall be £1 per share until 31 July 2003 and thereafter it shall rise by 20p per annum until redemption.

The issued share capital of the company is fully paid except for 40,000 ordinary shares issued partly paid at 25p per share.

In accordance with the Articles of Association of the company, early redemption of the CRP shares, the Preferred shares and the AIEC Preference shares is permissible at the instance of the company.

In the event of a liquidation, the holders of the CRP shares rank first, the holders of the Preferred shares and the AIEC Preference shares shall rank second (as if they were one type of share), and the holders of the CCPPO shares and the AIEC Preferred ordinary shares shall rank third (as if they were one type of share) and the holders of the Ordinary shares shall rank fourth.

The holders of the CCPPO shares and the AIEC Preferred Ordinary shares are entitled at any time to convert their holding into Ordinary shares.

The holders of Preferred shares, AIEC Preference shares, AIEC Preferred ordinary shares, CCPPO shares and CRP shares are not entitled to vote on any resolution of the company unless the dividends on the shares in question are more than six months in arrears or if the resolution concerns the liquidation of the company, reduces the company's capital or adversely affects the rights attaching to the shares in question.

17 Reserves

	Capital Redemption Reserve	Profit & Loss Account	Total
	£	£	£
At 1 August 2001	60,000	9,303	**69,303**
Profit for the year	-	(16,349)	**(16,349)**
Arrears of Preference Share Dividends	-	27,062	**27,062**
Appropriations for future redemptions	-	3,667	**3,667**
At 31 July 2002	60,000	23,683	**83,683**

18 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Opening shareholders' funds	**860,303**	858,007
Profit after tax	**31,880**	82,551
Dividends and other non-equity appropriations	**(48,229)**	(48,229)
Arrears of Preference Share Dividends	**27,062**	(35,693)
Appropriations for future redemptions	**3,667**	3,667
Closing shareholders' funds	**874,683**	860,303

19 Commitments under operating leases

The company has annual commitments under non-cancellable operating leases, having expiry periods as follows:

	2002 £	2001 £
Between one and five years	**16,517**	24,298

20 Dividends and arrears

At 31 July 2002, the directors have made non-equity appropriations in accordance with FRS 4 (Capital Instruments) and have declared dividends up to the maximum permitted by the company's articles of association and available distributable reserves.

	2002 £	2001 £
Declared		
On the 5% Cumulative redeemable preference shares of £1 each	**17,500**	17,500
On the 6.33% (Net) Preferred shares	**-**	14,950
On the AIEC Preference shares	**-**	7,596
On the AIE Cumulative convertible participating preferred shares	**-**	3,250
On the AIEC Preferred ordinary shares	**-**	1,266
	17,500	44,562
Appropriated but not declared		
On the 6.33%(net) preference shares	**14,950**	-
On the AIEC Preference shares	**7,596**	-
On the AIE Cumulative convertible participating preferred shares	**3,250**	-
On the AIEC Preferred ordinary shares	**1,266**	-
Total Non-equity distributions	**44,562**	44,562

The following arrears remain:

	2002 £	2001 £
On the 6.33% (net) Cumulative redeemable preference shares of £1 each	**14,950**	-
On the AIEC preference shares	**7,596**	-
On the Cumulative convertible participating preferred ordinary shares of £1 each	**6,500**	3,250
On the preferred ordinary shares of £1 each	**6,330**	5,064
	35,376	8,314

21 Capital expenditure commitments

The company has no commitments outstanding for capital at 31 July 2002 (2001:£50,000)

22 Related party transactions

Professor PK Timms CBE was appointed as a Director of Argyll & Islands Enterprise in September 1998. That organisation is considered a related party. The related party transactions comprise funding provided as set out in Notes 7, 16 and 20 and grants as set out in Note 14.

23 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	**36,848**	125,017
Depreciation charges	**73,655**	65,725
Grant release	**(9,698)**	(7,198)
(Increase)/decrease in stocks	**(49,518)**	(43,324)
(Increase)/decrease in debtors	**73,360**	(90,389)
Increase/(decrease) in trading creditors	**(114,516)**	83,779
Net cash inflows from operating activities	**10,131**	133,610

24 Analysis of net debt

	At 31 July 2001 £	Cash Flow £	At 31 July 2002 £
Cash at bank, on hand	416,260	(134,285)	**281,975**
Overdrafts	-	-	-
	416,260	(134,285)	**281,975**
Debt due after 1 year	(271,173)	51,873	**(219,300)**
Debt due within 1 year	(45,954)	(5,917)	**(51,871)**
Total	99,133	(88,329)	**10,804**

25 Financial statements

Copies of the company's financial statements are available from the company's registered office Townhead, Rothesay, Isle of Bute PA20 9JH.

26 Controlling party

By virtue of his beneficial interest in 191,000 ordinary shares of the company, the directors regard Professor PK Timms CBE as the controlling party.