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WAVEMASTER LIMITED

RATHCAIRN
ATHBOY
CO MEATH

FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1996

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BDO SIMPSON XAVIER
Chartered Accountants
Simpson Xavier Court
Merchants Quay Dublin 8 Ireland

WAVEMASTER LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1996

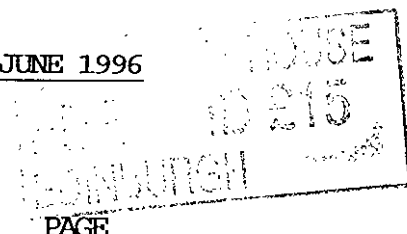


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WAVEMASTER LIMITED
COMPANY INFORMATION

BOARD OF DIRECTORS:

T O'Neill
T P Nolan
A Kenny

SECRETARY:

L Connolly

REGISTERED OFFICE:

Rathcairn
Athboy
Co Meath

REGISTERED NUMBER:

78998

SOLICITORS:

Dockrell Farrell
51/52 Fitzwilliam Square
Dublin 2

PRINCIPAL BANKER:

Bank of Ireland
Navan
Co Meath

AUDITORS:

BDO Simpson Xavier
Chartered Accountants
Simpson Xavier Court
Merchants Quay
Dublin 8

WAVEMASTER LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996

The directors submit their report together with the audited financial statements for the year ended 30 June 1996.

REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The activities of the company consist of metal fabrication for export.

RESULTS FOR THE YEAR AND STATE OF AFFAIRS AS AT 30 JUNE 1996

The profit and loss account and balance sheet for the year ended 30 June 1996 are set out on pages 5 to 14. Loss on ordinary activities before taxation is stated in the profit and loss account on page 5.

The state of affairs is set out in the balance sheet on page 6.

DIVIDENDS AND RETENTION

The directors do not recommend payment of a dividend in respect of the year ended 30 June 1996. The movement in reserves is set out in the profit and loss account on page 5.

DIRECTORS

In accordance with the Articles of Association, A Kenny retires by rotation and, being eligible, offers himself for re-election.

SUBSIDIARY COMPANY

Details of the subsidiary company are set out in note 17 to the accounts.

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,
- 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 Acts 1963 to 1990.

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.

WAVEMASTER LIMITED
DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1996

IMPORTANT EVENTS SINCE THE YEAR END

There have been no significant events affecting the company since the year end.

FUTURE DEVELOPMENTS IN THE BUSINESS

The company will continue to operate at its present activity level in the ensuing year.

WELFARE OF EMPLOYEES

It is the policy of the company to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy is based on the requirements of employment legislation, including the Safety, Health and Welfare at Work Act, 1989.

AUDITORS

BDO Simpson Xavier, Chartered Accountants, have expressed their willingness to continue in office in accordance with Section 160 of the Companies Act, 1963.

On behalf of the Directors

T O'NEILL

A KENNY

Directors
24 January 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF WAVEMASTER LIMITED

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 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 2 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 as at 30 June 1996 and of its results for the year then ended and have been properly prepared in accordance with the Companies Acts 1963 to 1990.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion, proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the directors' report on pages 2 and 3 is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet on page 6, are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 30 June 1996 a financial situation which under Section 40(1) of the Companies (Amendment) Act 1983 would require the convening of an extraordinary general meeting of the company.

30 January 1997**BDO Simpson Xavier**
Chartered Accountants
Registered Auditors

WAVEMASTER LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1996

	Note	1996 IR£	1995 IR£
Turnover		<u>3,329,045</u>	<u>2,905,292</u>
Gross profit		1,003,241	1,279,389
Staff costs	1	(460,654)	(549,328)
Depreciation		(9,135)	(7,358)
Other operating charges		(642,320)	(518,345)
Exceptional item	2	(32,444)	(15,000)
Interest payable and similar charges	3	(1,308)	(2,623)
(Loss) profit on ordinary activities before taxation	4	(142,620)	186,735
Tax on (loss) profit on ordinary activities	5	6,147	(6,147)
(Loss) profit for the financial year		(136,473)	180,588
Profit brought forward at 1 July		<u>767,817</u>	<u>587,229</u>
Profit carried forward at 30 June		<u>631,344</u>	<u>767,817</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There were no recognised gains and losses other than the loss for the financial year. There have been no movements in shareholders funds during the year other than the loss for the year.

On behalf of the Directors

T O'NEILL

A KENNY

Directors

WAVEMASTER LIMITED
BALANCE SHEET AS AT 30 JUNE 1996

	Note	1996 IR£	1995 IR£
ASSETS EMPLOYED			
FIXED ASSETS			
Intangible assets	6	168,274	116,691
Tangible assets	7	36,131	23,928
Financial assets	8	13,000	24,444
		<u>217,405</u>	<u>165,063</u>
CURRENT ASSETS			
Stocks	9	13,011	-
Debtors	10	858,446	733,120
Cash at bank and in hand		4,452	160,414
		<u>875,909</u>	<u>893,534</u>
CREDITORS (amounts falling due within one year)	11	(458,362)	(288,203)
NET CURRENT ASSETS		<u>417,547</u>	<u>605,331</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		634,952	770,394
CREDITORS (amounts falling due after one year)	12	(3,606)	(2,575)
		<u>631,346</u>	<u>767,819</u>
FINANCED BY			
CAPITAL AND RESERVES			
Called up share capital	13	2	2
Profit and loss account		631,344	767,817
		<u>631,346</u>	<u>767,819</u>
On behalf of the Directors			
T O'NEILL			
A KENNY			
Directors			

WAVEMASTER LIMITED
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 1996

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents the invoiced amount of goods sold, net of value added tax.

Depreciation of tangible assets

Provision is made for depreciation on all tangible assets, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life as follows :

Equipment	20% reducing balance
Motor vehicles	20% on cost

Stocks

Stocks and work in progress are valued on a first in first out (FIFO) basis at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of finished goods and work in progress cost includes all expenditure which has been incurred in the normal course of business in bringing the products to their present location and condition.

Net realisable value is the actual or estimated selling price (net of trade discounts), less all further costs to completion or to be incurred in marketing, selling and and distribution.

Foreign currencies

The accounts are expressed in Irish pounds (IR£).

Assets and liabilities denominated in foreign currencies are translated to Irish pounds at the exchange rates ruling at the balance sheet date. Transactions during the period are translated at the rate of exchange ruling at the date of the transaction. The resulting profits or losses are dealt with in the profit and loss account.

Pensions

Pension benefits are funded over the employees' period of service by way of contributions to a defined contribution pension scheme. Contributions are charged to the profit and loss account in the period to which they relate.

Leased assets

The cost of fixed assets acquired under finance leases is included in fixed assets and written off over the estimated useful life of those assets, while the capital portion of the outstanding lease obligations is included in creditors. The interest portion is written off to the profit and loss account over the term of the primary lease period.

Rentals in respect of operating leases are charged to the profit and loss account as incurred.

WAVEMASTER LIMITED
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 1996

Research and development

Research and development costs are written off in the year in which they are incurred except to the extent that such development expenditure has been undertaken with a reasonable expectation of specific commercial success and of future benefits arising from the work either from increased revenue and related profits or reduced costs. Such development expenditure is carried forward as an intangible asset in the year it is incurred and written off against future related revenue by reference to the period of expected product sale.

Annual rate of amortisation - 33.33% on cost from date of first
product sale

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

1. EMPLOYEES AND REMUNERATION

1996 1995

The average number of persons engaged by the company during the year was as follows:-

Manufacture	25	37
Sales	2	2
Administration	2	3
Design	1	
	<u>30</u>	<u>42</u>

1996 1995
IR£ IR£

The staff costs are comprised of:-

Wages and salaries	406,804	479,529
Social welfare costs	44,747	58,590
Pension costs	9,103	11,209
	<u>460,654</u>	<u>549,328</u>

The staff are registered employees of Turmec Teoranta.

2. EXCEPTIONAL ITEMS

1996 1995
IR£ IR£

Provision against debt due from Wavemaster Mediterranean L.T.D.	12,444	15,000
Insurance claim settlement	20,000	-
	<u>32,444</u>	<u>15,000</u>

3. INTEREST PAYABLE AND SIMILAR CHARGES

1996 1995
IR£ IR£

Finance lease charges	<u>1,308</u>	<u>2,623</u>
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4. (LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

1996 1995
IR£ IR£

The (loss) profit on ordinary activities before taxation is stated after charging:-

Auditors' remuneration	2,575	2,575
Depreciation	<u>9,135</u>	<u>7,358</u>

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

5. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	1996 IR£	1995 IR£
The taxation charge on the (loss) profit on ordinary activities for the year was as follows:-		
Corporation tax at 40% (1995 40%)	-	23,647
Less manufacturing relief	-	(17,500)
Adjustment relating to prior years	(6,147)	-
	<u>(6,147)</u>	<u>6,147</u>

No corporation tax liability arises in the current year due to trading losses incurred.

6. INTANGIBLE FIXED ASSETS

	Research and Development IR£
COST	
At 1 July	116,691
Additions	51,583
	<u>168,274</u>
At 30 June	
AMORTISATION	
At 1 July and at 30 June	-
	<u>-</u>
NET BOOK AMOUNT	
30 June 1996	168,274
30 June 1995	<u>116,691</u>

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

7. TANGIBLE FIXED ASSETS

	Equipment IR£	Motor vehicles IR£	Total IR£
COST			
At 1 July	12,226	28,298	40,524
Additions	10,906	21,826	32,732
Disposals	-	(28,298)	(28,298)
	<hr/>	<hr/>	<hr/>
At 30 June	23,132	21,826	44,958
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 July	4,408	12,188	16,596
Charge for year	3,689	5,446	9,135
Disposals	-	(16,904)	(16,904)
	<hr/>	<hr/>	<hr/>
At 30 June	8,097	730	8,827
	<hr/>	<hr/>	<hr/>
NET BOOK AMOUNTS			
30 June 1996	15,035	21,096	36,131
	<hr/>	<hr/>	<hr/>
30 June 1995	7,818	16,110	23,928
	<hr/>	<hr/>	<hr/>

The net book amount of tangible assets includes IR£21,096 (1995-IR£16,110) in respect of leased assets. The depreciation charge for the year in respect of these assets amounted to IR£5,446.

8. FINANCIAL FIXED ASSETS

	1996 IR£	1995 IR£
Investments in group company		
Unlisted shares in Wavemaster Mediterranean L.T.D. at book value	12,000	14,706
Amount due from Wavemaster Medeterranean L.T.D.	-	9,738
Unlisted shares in Wavemaster Technologies Limited at cost	1,000	-
	<hr/>	<hr/>
	13,000	24,444
	<hr/>	<hr/>

The interest in Wavemaster Technologies Limited represents 50% of the issued share capital of the company and is by way of a joint venture with another investor.

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

9. STOCKS		1996 IR£	1995 IR£
Raw materials		13,011	-
		<u> </u>	<u> </u>
10. DEBTORS		1996 IR£	1995 IR£
Amounts falling due within one year:-			
Trade and other debtors		852,299	733,120
Corporation tax recoverable		6,147	-
		<u> </u>	<u> </u>
		858,446	733,120
		<u> </u>	<u> </u>
11. CREDITORS (amounts falling due within one year)		1996 IR£	1995 IR£
Trade and other creditors		296,458	246,983
Obligations under finance leases		4,323	4,760
Corporation tax		-	6,147
Amounts owed to holding company		157,581	30,313
		<u> </u>	<u> </u>
		458,362	288,203
		<u> </u>	<u> </u>
12. CREDITORS (amounts falling due after one year)		1996 IR£	1995 IR£
Obligations under finance leases		3,606	2,575
		<u> </u>	<u> </u>
13. CALLED UP SHARE CAPITAL		Allotted, called up and fully paid	
	Authorised	1996	1995
	IR£	IR£	IR£
Ordinary shares of IR£1 each	900	-	-
'A' Ordinary shares of IR£1 each	60	1	1
'B' Ordinary shares of IR£1 each	40	1	1
	<u> </u>	<u> </u>	<u> </u>
	1,000	2	2
	<u> </u>	<u> </u>	<u> </u>

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

14. INTERESTS IN GROUP COMPANY SHARES

Directors and secretary had interests in group company shares as follows-

Wavemaster Limited

At 1 July and
30 June

'A' Ordinary shares of IR£1 each	'B' Ordinary shares of IR£1 each
--	--

T P Nolan, director (as nominee)	1	None
A Kenny, director	None	None
T O'Neill, director	None	None
L Connolly, secretary	None	None

Turmec Teoranta

At 1 July and
30 June

T P Nolan, director	167,000	None
A Kenny, director	None	None
T O'Neill, director	None	None
L Connolly, secretary	None	None

The directors and secretary had no interest in the Cumulative Convertible Redeemable Preference shares of the company during the year.

T P Nolan and A Kenny each hold one ordinary share of IR£1 each as nominees in the issued share capital of TME Teoranta and Turmec Design Limited.

15. CONTINGENT LIABILITIES

Bank borrowings of the holding company are secured by:-

- (1) a debenture on all the company's assets, present and future
- (2) a letter of guarantee to a limit of IR£500,000.

Bank advances at the year end amounted to IR£303,006.

16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for employees and executive directors.

WAVEMASTER LIMITED
NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 1996

17. SUBSIDIARY COMPANY

The company has a 90% holding in the following limited partnership, incorporated in Greece:-

NAME	ACTIVITY OF COMPANY
Wavemaster Mediterranean L.T.D.	Business representative

This partnership has no income or expenditure in its own right.

18. HOLDING COMPANY

The company is a wholly owned subsidiary of Turmec Teoranta, incorporated in the Republic of Ireland.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the directors on 24 January 1997.