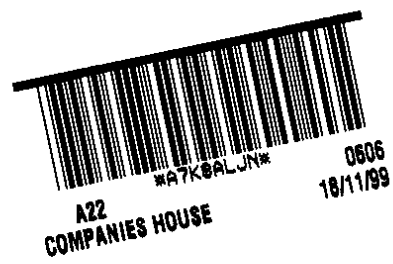


**COMSTACK LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

**30 JUNE 1999**

**Company Registration Number: 2823715**



# **COMSTACK LIMITED**

## **DIRECTORS**

Mr K Breen (Appointed 2 November 1999)  
Mr J R Finbow (Resigned 28 October 1999)  
Dr B S Hobbs (Resigned 28 October 1999)  
Mr A D Todd

## **SECRETARY**

Mr A D Todd

## **REGISTERED OFFICE**

The City Technology Centre  
Walton Road, Portsmouth PO6 1SZ

## **AUDITORS**

PricewaterhouseCoopers  
The Quay, 30 Channel Way  
Ocean Village, Southampton SO14 3QG

## **BANKERS**

Bank of Scotland  
144/148 High Street  
Southampton SO9 3LX

## **SOLICITORS**

Walker Morris  
Kings Court, 12 King Street  
Leeds LS1 2HL

Hill, Van Santen, Steadman & Simpson  
25th Floor, Sears Tower  
Chicago, Illinois 60606  
USA

## **COMSTACK LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999**

The directors present their report and accounts for the year ended 30 June 1999.

#### **PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS**

The company's principal activity is to act as the intermediate holding company of City Technology Limited. The only transactions undertaken by the company during the year were the receipt and payment of dividends, and intercompany account transfers.

The principal activity of City Technology Limited is the research, development, manufacture and marketing of gas sensors.

#### **RESULTS AND DIVIDENDS**

The profit after taxation for the year was £2,920,020 (1998: £2,600,000). During the year dividends of £2,920,020 were recommended (1998: £2,600,000). The resulting balance is £Nil and so there is no transfer to reserves (1998: £Nil).

#### **FIXED ASSETS**

Details of movements in fixed assets are contained in Note 7 of these financial statements.

#### **DIRECTORS**

The directors who held office during the year are detailed on page 1 of these financial statements.

#### **DIRECTORS' INTERESTS**

The directors held no interest in the shares of the company at either 30 June 1999 or 30 June 1998.

The interests of the directors in the shares of City Technology Holdings plc, the ultimate parent undertaking, are shown in the financial statements of that company.

## COMSTACK LIMITED

### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1999 (Continued)

#### 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:

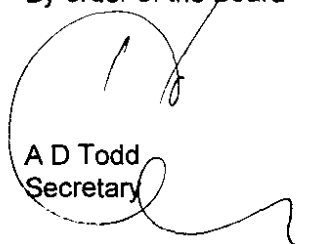
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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 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 have indicated their willingness to be reappointed and a resolution proposing their re-appointment will be proposed at the following Annual General Meeting.

By order of the Board



A D Todd  
Secretary

2 November 1999

## **AUDITORS' REPORT TO THE SHAREHOLDERS OF COMSTACK LIMITED**

We have audited the financial statements on pages 5 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report, including as described on page 3 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 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 1999 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  
Southampton

2 November 1999

# COMSTACK LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1999

|                                                          | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|----------------------------------------------------------|----------------------|----------------------|
| Income from shares in group undertakings                 | <u>2,920</u>         | <u>2,600</u>         |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> | 2,920                | 2,600                |
| Tax on profit on ordinary activities (Note 5)            | —                    | —                    |
| <b>PROFIT ON ORDINARY ACTIVITIES<br/>AFTER TAXATION</b>  | 2,920                | 2,600                |
| Dividends paid and proposed (Note 6)                     | <u>(2,920)</u>       | <u>(2,600)</u>       |
| <b>RETAINED PROFIT FOR THE YEAR</b>                      | <u>—</u>             | <u>—</u>             |

The company has no recognised gains or losses other than the profit for the year as shown above.

*All the above profits relate to the company's continuing activity.*

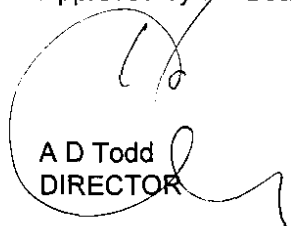
There is no difference between the profit on ordinary activities before taxation and the retained profit for either the year ended 30 June 1999 or the year ended 30 June 1998, and their historical cost equivalents.

# COMSTACK LIMITED

## BALANCE SHEET - 30 JUNE 1999

|                                                                           | 1999            | 1998            |
|---------------------------------------------------------------------------|-----------------|-----------------|
|                                                                           | £'000           | £'000           |
| <b>FIXED ASSETS</b>                                                       |                 |                 |
| Investment in subsidiary undertaking (Note 7)                             | 24,396          | 24,396          |
| <b>CURRENT ASSETS</b>                                                     |                 |                 |
| Debtors (Note 8)                                                          | 3,552           | 3,223           |
| Cash at bank and in hand                                                  | <u>3,552</u>    | <u>3,224</u>    |
| <b>CREDITORS (amounts falling due within one year) (Note 9)</b>           | <u>(1)</u>      | <u>(2,601)</u>  |
| <b>NET CURRENT ASSETS</b>                                                 | <u>3,551</u>    | <u>623</u>      |
| <b>TOTAL ASSETS</b>                                                       |                 |                 |
| <b>LESS CURRENT LIABILITIES</b>                                           | 27,947          | 25,019          |
| <b>CREDITORS (amounts falling due after more than one year) (Note 10)</b> | <u>(17,487)</u> | <u>(14,559)</u> |
|                                                                           | <u>10,460</u>   | <u>10,460</u>   |
| <b>CAPITAL AND RESERVES</b>                                               |                 |                 |
| Called up share capital (Note 11)                                         | 120             | 120             |
| Share premium account (Note 12)                                           | 8,192           | 8,192           |
| Profit and loss account (Note 12)                                         | <u>2,148</u>    | <u>2,148</u>    |
| <b>SHAREHOLDERS' FUNDS (Note 13)</b>                                      | <u>10,460</u>   | <u>10,460</u>   |

Approved by the Board on 2 November 1999

  
A D Todd  
DIRECTOR

# COMSTACK LIMITED

## NOTES TO THE ACCOUNTS - 30 JUNE 1999

### 1 ACCOUNTING POLICIES

#### (1) Accounting convention

The financial statements are prepared under the historical cost convention, and in accordance with applicable accounting standards.

#### (2) Investments

Investments in subsidiary undertakings are stated at cost less provision for permanent diminution in value.

#### (3) Deferred taxation

Deferred taxation is provided on timing differences where a liability for the payment of such taxation or an asset representing the recovery of taxation is expected to arise in the foreseeable future.

### 2 AUDITORS' REMUNERATION

All amounts paid to the auditors were borne by City Technology Limited, the company's subsidiary undertaking. No amounts paid are deemed attributable to their services to Comstack Limited.

### 3 DIRECTORS' REMUNERATION

All amounts paid to directors were borne by City Technology Limited, the company's subsidiary undertaking. No amounts paid are deemed attributable to their services to Comstack Limited.

### 4 EMPLOYEES

#### (a) Number of employees

No persons were employed by the company during the year

#### (b) Employee costs

All employee costs are borne by City Technology Limited, the company's subsidiary undertaking. No amounts paid are deemed attributable to their services to Comstack Limited.

### 5 TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                 | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|-------------------------------------------------|----------------------|----------------------|
| UK corporation taxation                         |                      |                      |
| - on profits for the year at 30.75% (1998: 31%) | —                    | —                    |
|                                                 | <u>—</u>             | <u>—</u>             |

### 6 DIVIDENDS

|                             | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|-----------------------------|----------------------|----------------------|
| Dividend on Ordinary Shares | <u>2,920</u>         | <u>2,600</u>         |

# COMSTACK LIMITED

## NOTES TO THE ACCOUNTS - 30 JUNE 1999 (Continued)

### 7 FIXED ASSET INVESTMENTS

|                                              | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|----------------------------------------------|----------------------|----------------------|
| Investment in subsidiary undertaking at cost | <u>24,396</u>        | <u>24,396</u>        |

The subsidiary undertaking, City Technology Limited is incorporated in England. The company owns 100% of the ordinary share capital.

### 8 DEBTORS

|                                      | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--------------------------------------|----------------------|----------------------|
| Amounts owed by group undertakings   | 3,552                | 623                  |
| Dividends owed by group undertakings | -                    | <u>2,600</u>         |
|                                      | <u>3,552</u>         | <u>3,223</u>         |

### 9 CREDITORS: Amounts falling due within one year

|                                      | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|--------------------------------------|----------------------|----------------------|
| Dividends owed to group undertakings | -                    | 2,600                |
| Corporation tax                      | <u>1</u>             | <u>1</u>             |
|                                      | <u>1</u>             | <u>2,601</u>         |

### 10 CREDITORS: Amounts falling due after more than one year

|                                    | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|------------------------------------|----------------------|----------------------|
| Amounts owed to group undertakings | <u>17,487</u>        | <u>14,559</u>        |

### 11 SHARE CAPITAL

|                               | <u>Authorised, allotted, issued and fully paid</u><br>1999 and 1998<br>Number | <u>1999 and 1998</u><br>£'000 |
|-------------------------------|-------------------------------------------------------------------------------|-------------------------------|
| Ordinary Shares of £0.01 each | <u>12,004,246</u>                                                             | <u>120</u>                    |

## COMSTACK LIMITED

### NOTES TO THE ACCOUNTS - 30 JUNE 1999 (Continued)

#### 12 RESERVES

|                                 |              |
|---------------------------------|--------------|
| <u>Profit and loss account</u>  | £'000        |
| At 1 July 1998                  | 2,148        |
| Result for the year             | <u>-</u>     |
| At 30 June 1999                 | <u>2,148</u> |
| <u>Share premium</u>            |              |
| At 1 July 1998 and 30 June 1999 | <u>8,192</u> |

The share premium account arose on the issue of 333,255 £0.01 Preference Shares and 7,837,203 £0.01 "A" Preference Shares at a premium of 99 pence in 1993/94, 475 £1 Ordinary Shares at a premium of £199.00 in 1994/95 and 8,179,346 £0.01 Preference Shares at a premium of 99 pence on 20 June 1996. Also on 20 June 1996, the 333,255 £0.01 Preference Shares and 7,837,203 £0.01 "A" Preference Shares were redeemed at a premium of 99 pence.

On 5 September 1996, the 8,179,346 £0.01 Preference Shares were converted into Ordinary Shares of £0.01.

#### 13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

|                                                    | <u>1999</u><br>£'000 | <u>1998</u><br>£'000 |
|----------------------------------------------------|----------------------|----------------------|
| Profit for the year                                | 2,920                | 2,600                |
| Dividends                                          | <u>(2,920)</u>       | <u>(2,600)</u>       |
| Net movement in shareholders' funds                | -                    | -                    |
| Opening shareholders' funds                        | <u>10,460</u>        | <u>10,460</u>        |
| Closing shareholders' funds – all equity interests | <u>10,460</u>        | <u>10,460</u>        |

#### 14 CASH FLOW STATEMENT

The financial statements of City Technology Holdings plc, the ultimate parent undertaking, include a consolidated statement of cash flows. The company has taken advantage of the exemption granted by Financial Reporting Standard 1, whereby it is not required to publish its own cash flow statement.

#### 15 ULTIMATE PARENT UNDERTAKING

The company's immediate and ultimate parent undertaking is City Technology Holdings plc which is registered in England. The smallest and largest group for which group financial statements are prepared is City Technology Holdings plc and copies of its financial statements may be obtained from the City Technology Centre, Walton Road, Portsmouth, PO6 1SZ.

## **COMSTACK LIMITED**

### **NOTES TO THE ACCOUNTS - 30 JUNE 1999 (Continued)**

#### **16 RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption provided by Paragraph 3(c) of Financial Reporting Standard 8 not to disclose transactions with entities that are part of the City Technology Holdings plc group.