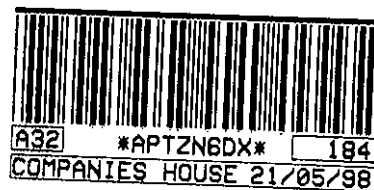


Beta Instrument Company Limited

Directors' report and financial statements

For the year ended 31 December 1997

Registered number 895810



Directors’ report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Review of the business

The principal activity of the company during the year was the manufacture and sale of machinery, testing systems and instrumentation for use in the cable industry.

On 24 January 1997 Fairey Group plc acquired the whole of the issued share capital of Burnfield PLC, the company's holding company.

Results and dividends

The profit after taxation for the year ended 31 December 1997 was £674,000 (*nine months ended 31 December 1996: loss £2,318,000*). The full results are shown in the profit and loss account on page 5.

The directors do not recommend the payment of a dividend (*nine months ended 31 December 1996: £Nil*).

Directors

The directors who served during the year were as follows:

| | |
|---|------------------------------|
| PI Lewis | |
| Henley Investment Management Limited | |
| Hockley Court Investment Management Limited | |
| JC Webster | (appointed 21 March 1997) |
| S Cox | (appointed 1 September 1997) |
| P Fleming | (appointed 31 December 1997) |
| S Hole | (appointed 31 December 1997) |
| JMM Watts | (appointed 31 December 1997) |
| KR Robson | (resigned 14 March 1997) |
| M Connors | (resigned 23 March 1997) |
| RCH Herkes | (resigned 1 September 1997) |
| DAC Buelens | (resigned 31 December 1997) |

Directors' interests

The directors' had no beneficial interests in the share capital of the company at the year end as it is a wholly owned subsidiary of Fairey Group plc.

Mr DAC Buelens owns 27,284 shares (*1996: £Nil*) in the Fairey Group plc. None of the other directors had any interest in the share capital of Fairey Group plc or any of its subsidiary undertakings at the end of the year.

During the year, Mr S Hole was granted 2,716 options in Fairey Group plc. These options are exercisable between 1 December 2002 and 1 June 2003 at an exercise price of 635p per share. The market price of Fairey Group plc shares at 31 December 1997 was 516p and the range during the year was from 485.5p to 672p. No other director held any share options in Fairey Group plc at the year end.

Research and development

The directors consider that product development and innovation play an important role in the success of the company and, accordingly, they continue to further the company's research and development programme.

Directors' report *(continued)*

Payments to suppliers

It is the company's general policy to abide by the terms of payment agreed with its suppliers.

Approved by order of the board of directors on 6 March 1998 and signed on its behalf by:



M.C. Keatley
Company Secretary

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

2 Cornwall Street
Birmingham
B3 2DL

Auditors report to the members of Beta Instrument Company Limited

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

As described on page 3, 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 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

6 March 1998

Profit and loss account
for the year ended 31 December 1997

| | <i>Note</i> | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|-------------|---|---|
| Turnover | 2 | 8,808 | 7,452 |
| Cost of sales | | (6,011) | (4,979) |
| Gross profit | | 2,797 | 2,473 |
| Distribution costs | | (1,647) | (1,531) |
| Administrative expenses | | (461) | (1,197) |
| Other operating income | | 235 | - |
| Exceptional operating items | 3 | (135) | (2,075) |
| Operating profit/(loss) | | 789 | (2,330) |
| Interest receivable | 4 | 21 | 5 |
| Interest payable | 5 | (19) | - |
| Profit/(loss) on ordinary activities before taxation | 6 | 791 | (2,325) |
| Taxation on profit/(loss) on ordinary activities | 9 | (117) | 7 |
| Profit/(loss) for the financial period | 18 | 674 | (2,318) |

The statement of the movement in reserves is shown in note 18.

Turnover and results reported above all relate to continuing activities.

Statement of total recognised gains and losses

There were no recognised gains or losses other than the result for the period reported above.

Balance sheet
at 31 December 1997

| | <i>Note</i> | 31 December 1997 £000 | 31 December 1996 £000 |
|---|-------------|--------------------------------------|--------------------------------------|
| Fixed assets | | | |
| Tangible assets | <i>10</i> | 89 | 106 |
| Investments | <i>12</i> | 49 | 104 |
| | | <hr/> 138 | <hr/> 210 |
| Current assets | | | |
| Stocks | <i>13</i> | 1,409 | 1,241 |
| Debtors | <i>14</i> | 2,123 | 2,029 |
| Cash at bank and in hand | | 176 | 529 |
| | | <hr/> 3,708 | <hr/> 3,799 |
| Creditors: Amounts falling due within one year | <i>15</i> | (3,610) | (4,447) |
| Net current assets/(liabilities) | | <hr/> 98 | <hr/> (648) |
| Net assets/(liabilities) | | <hr/> 236 | <hr/> (438) |
| Capital and reserves | | | |
| Called up share capital | <i>17</i> | 1,000 | 1,000 |
| Profit and loss account | <i>18</i> | (764) | (1,438) |
| Equity shareholders' funds | | <hr/> 236 | <hr/> (438) |

These financial statements were approved by the board of directors on 6 March 1998 and were signed on its behalf by:

JC Webster
Director



Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements:

Basis of preparation

The financial statements have been prepared using the historical cost convention and in accordance with applicable UK Accounting Standards.

The directors of Fairey Group plc have confirmed that Fairey Group plc will continue to provide the necessary financial support to enable the company to pay its liabilities as they fall due.

Basis of consolidation

The company is exempt by virtue of section 228 of the Companies Act 1985 to prepare consolidated accounts. The financial statements of Fairey Group plc consolidate the financial statements of the company and its subsidiary undertakings.

Tangible fixed assets

Tangible fixed assets are depreciated at rates calculated to write off the original cost less residual amounts in equal instalments over the expected useful life of the assets concerned.

Depreciation is provided at the following rates on a straight line basis:

| | |
|----------------------------|-------------------------------|
| Short leasehold properties | - over the terms of the lease |
| Plant and equipment | - 10-20% |
| Motor vehicles | - 25% |
| Computers | - 33 1/3% |

Leased assets

Operating lease rentals are charged to the profit and loss account in the period to which they relate.

Investment in subsidiary undertakings

The company's cost of investment in subsidiary undertakings is stated at the aggregate of the cash payable as consideration and the costs of acquisition.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost comprises the actual cost of raw materials, direct labour and attributable manufacturing overheads where appropriate. Net realisable value represents the estimated selling price less the costs of completion, marketing, selling and distribution.

Specific provisions are made against any obsolete or slow moving items.

Research and development

Expenditure on research and development is written off in the period in which it is incurred.

Deferred taxation

Deferred taxation is provided using the liability method in respect of timing differences except where the liability is not expected to arise in the foreseeable future.

Notes (continued)

1 Accounting policies (continued)

Pensions

The costs of defined contribution schemes are charged to the profit and loss account in the year incurred.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at rates ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Exchange differences are dealt with in the profit and loss account.

Cash flow statements

The company's ultimate parent company at the period end, Fairey Group plc, has complied with the requirements of FRS1 (revised) - Cash Flow Statements in producing a group cash flow statement. The company has taken advantage of the exemption available in FRS1 and does not present its own cash flow statement.

2 Turnover

Turnover represents the invoiced amount of goods sold, excluding value added tax. The analysis of turnover by geographical area is as follows:

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|----------------|---|---|
| United Kingdom | 1,418 | 1,105 |
| Asia | 1,344 | 1,187 |
| Europe | 3,514 | 3,041 |
| North America | 2,208 | 2,064 |
| Other | 324 | 55 |
| | <hr/> 8,808 <hr/> | <hr/> 7,452 <hr/> |

3 Exceptional operating items

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|---|
| Provision for onerous contractual commitments | (237) | 1,750 |
| Reorganisation costs | 372 | 325 |
| | <hr/> 135 <hr/> | <hr/> 2,075 <hr/> |

Notes (continued)

4 Interest receivable

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|---|
| Interest receivable | | |
| Bank and other interest receivable | 19 | 4 |
| Interest receivable from group undertakings | 2 | 1 |
| | <hr/> 21 | <hr/> 5 |
| | <hr/> <hr/> | <hr/> <hr/> |

5 Interest payable

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|-------------------|---|---|
| On bank overdraft | 15 | - |
| Other interest | 4 | - |
| | <hr/> 19 | <hr/> - |
| | <hr/> <hr/> | <hr/> <hr/> |

6 Profit/(loss) on ordinary activities before taxation

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|---|
| <i>Profit/(loss) on ordinary activities before taxation is stated</i> | | |
| <i>after charging</i> | | |
| Depreciation | 53 | 123 |
| Research and development expenditure | 121 | 152 |
| Operating lease rentals: | | |
| Land and buildings | 76 | 78 |
| Other | 21 | 2 |
| Auditors' remuneration: | | |
| Audit fees | 18 | 21 |
| Other fees to the auditor of the company | 3 | 3 |
| | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

7 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

| | Number of employees | |
|--------------------------|-----------------------------------|---------------------------------------|
| | Year ended 31 December 1997 | 9 months ended 31 December 1996 |
| Factory direct | 26 | 22 |
| Factory indirect | 24 | 23 |
| Sales and administration | 35 | 35 |
| | <hr/> | <hr/> |
| | 85 | 80 |
| | <hr/> | <hr/> |

The aggregate payroll costs of these persons were as follows:

| | £000 | £000 |
|-----------------------|-------|-------|
| Wages and salaries | 1,796 | 1,339 |
| Social security costs | 165 | 149 |
| Other pension costs | 45 | 43 |
| | <hr/> | <hr/> |
| | 2,006 | 1,531 |
| | <hr/> | <hr/> |

8 Directors' emoluments

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|---|
| Remuneration as executives | 302 | 354 |
| Pension contributions to money purchase schemes | 15 | 15 |
| | <hr/> | <hr/> |
| | 317 | 369 |
| | <hr/> | <hr/> |

The emoluments of the highest paid director were £100,000 (9 months ended 31 December 1996: £135,000) and pension contributions were £Nil.

Notes (continued)

9 Taxation on profit/(loss) on ordinary activities

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|--|---|---|
| Corporation tax profit at 31.5% (31 December 1996: 33%): | | |
| Current period charge | 125 | 5 |
| Deferred taxation | - | (20) |
| | <hr/> 125 | <hr/> (15) |
| Adjustments in respect of prior years: | | |
| Corporation tax | (8) | 8 |
| | <hr/> 117 | <hr/> (7) |
| | <hr/> <hr/> | <hr/> <hr/> |

10 Tangible fixed assets

| | Short leasehold properties £000 | Plant and equipment £000 | Motor vehicles £000 | Computers £000 | Total £000 |
|-----------------------|--|--------------------------------|---------------------------|-------------------|---------------|
| Cost | | | | | |
| At beginning of year | 64 | 279 | 139 | 302 | 784 |
| Additions | - | 11 | - | 43 | 54 |
| Disposals | - | - | (107) | (3) | (110) |
| | <hr/> 64 | <hr/> 290 | <hr/> 32 | <hr/> 342 | <hr/> 728 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Depreciation | | | | | |
| At beginning of year | 64 | 265 | 102 | 247 | 678 |
| Charge for the year | - | 8 | 17 | 28 | 53 |
| Disposals | - | - | (89) | (3) | (92) |
| | <hr/> 64 | <hr/> 273 | <hr/> 30 | <hr/> 272 | <hr/> 639 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Net book value | | | | | |
| At 31 December 1997 | - | 17 | 2 | 70 | 89 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| At 31 December 1996 | - | 14 | 37 | 55 | 106 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

Notes (continued)

11 Intangible assets

| | Patents £000 |
|--|-----------------|
| Cost | |
| At the beginning and end of year | 69 |
| | <hr/> |
| Amortisation | |
| At beginning and end of year | 69 |
| | <hr/> |
| Net book value | |
| At 31 December 1996 and 31 December 1997 | - |
| | <hr/> |

12 Investments

| | £000 |
|--------------------------------|-------|
| Cost | |
| At beginning of year | 104 |
| Transfer to group undertakings | (55) |
| | <hr/> |
| At end of year | 49 |
| | <hr/> |

The details of the subsidiary undertaking, which is involved in the distribution of instruments for the cable industry, is set out below:

| Name of company | Country of incorporation | Proportion of nominal value of issued ordinary shares held |
|----------------------------------|--------------------------|--|
| Beta Instrument Far East Limited | South Korea | 100% |

13 Stocks

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|------------------|---|---|
| Raw materials | 619 | 614 |
| Work in progress | 410 | 408 |
| Finished goods | 380 | 219 |
| | <hr/> | <hr/> |
| | 1,409 | 1,241 |
| | <hr/> | <hr/> |

Notes (continued)

14 Debtors

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|------------------------------------|---|---|
| Trade debtors | 442 | 653 |
| Other debtors | 189 | 103 |
| Amounts owed by group undertakings | 1,450 | 1,217 |
| Prepayments and accrued income | 42 | 56 |
| | <u>2,123</u> | <u>2,029</u> |

15 Creditors: Amounts falling due within one year

| | Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|------------------------------------|---|---|
| Bank overdraft | 128 | 262 |
| Trade creditors | 958 | 950 |
| Amounts owed to group undertakings | 117 | 359 |
| Other taxes and social security | 94 | 49 |
| Corporation tax | 130 | 134 |
| Other creditors | 67 | 136 |
| Accruals and deferred income | 2,116 | 2,557 |
| | <u>3,610</u> | <u>4,447</u> |

16 Deferred taxation

The amount for deferred taxation, provided and not provided, under the liability method calculated using a tax rate of 30% (1996: 33%) is as follows:

| | Year ended 31 December 1997 | | 9 months ended 31 December 1996 | |
|--------------------------------|-----------------------------|----------------------|---------------------------------|----------------------|
| | Provided £000 | Not provided £000 | Provided £000 | Not provided £000 |
| Accelerated capital allowances | - | (19) | - | (17) |
| Short term timing differences | - | (626) | - | (713) |
| | <u>-</u> | <u>(645)</u> | <u>-</u> | <u>(730)</u> |
| Deferred taxation asset | - | (645) | - | (730) |

Notes (continued)

17 Share capital

| Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|
|---|---|

Authorised, allotted, called up and fully paid:

1,000,000 ordinary shares of £1 each

| | |
|-------|-------|
| 1,000 | 1,000 |
|-------|-------|

18 Profit and loss account

£000

At beginning of year

(1,438)

Profit for the year

674

At end of year

(764)

19 Reconciliation of movement in equity shareholders' funds

| Year ended 31 December 1997 £000 | 9 months ended 31 December 1996 £000 |
|---|---|
|---|---|

Profit/(loss) for the year after taxation

674 (2,318)

Opening equity shareholders' funds

(438) 1,880

Closing equity shareholders' funds

236 (438)

Notes (continued)

20 Commitments

Operating leases

The company has commitments under non-cancellable operating leases as follows:

| | 31 December 1997 | | 31 December 1996 | |
|-------------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| | Land and buildings £000 | Other £000 | Land and buildings £000 | Other £000 |
| Expiring under one year | 55 | 8 | - | - |
| Expiring between two and five years | - | 14 | 64 | 10 |
| Expiring after five years | 21 | - | 21 | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 76 | 22 | 85 | 10 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

21 Contingent liabilities

With other members of the Group, the company has guaranteed bank facilities made available to Fairey Group plc amounting to £43,925,000 (1996: £29,086,000).

22 Pensions

A money purchase pension scheme is operated by the company. The assets of the scheme are held separately from those of the company in a separately administered fund. The pension costs represent contributions payable by the company to the scheme and amounted to £45,000 for the year ended 31 December 1997 (9 months ended 31 December 1996: £43,000). All contributions payable by the company were paid during the year.

23 Related party transactions

Under Financial Reporting Standard 8, the company is exempt from the disclosure of transactions with other group undertakings on the grounds that it is a wholly owned subsidiary of Fairey Group plc and its results are included in the consolidated financial statements of that company.

24 Ultimate parent company

The ultimate parent company is Fairey Group plc. Copies of the consolidated financial statements of this company may be obtained from Companies House, Crown Way, Cardiff, CF1 1PC.