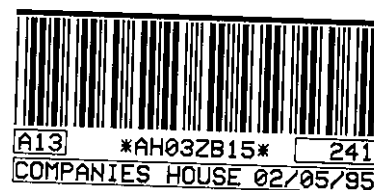


MALVERN INSTRUMENTS LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31st DECEMBER 1994
(REGISTERED IN ENGLAND NUMBER 1020602)



MALVERN INSTRUMENTS LIMITED

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31st December 1994.

Review of the business

The principal activity of the company, which has remained unchanged during the year, is the manufacture and sale of advanced electronic and laser instruments for use in a wide variety of industries.

Results and dividends

The profit after taxation for the year ended 31st December 1994 was £1,698,000 (1993: £1,073,000). The directors recommend the payment of a dividend of £1,000,000 (1993: Nil).

The retained profit of £698,000 (1993: £1,073,000) was transferred to reserves. The full results for the year are shown in the profit and loss account on page 7.

Directors

The directors who served during the year were as follows:

Dr D Jane Bishop (Appointed 21 February 1994)
A R Bragginton
Dr D J Campbell (Appointed 29 July 1994)
Dr T A Cooper
P I Walker (Appointed 5 January 1994)
Henley Investment Management Limited
Hockley Court Investment Management Limited
D W Aslin (Resigned 30 September 1994)
D M Roberts (Resigned 16 September 1994)
D W Thompson (Resigned 29 July 1994)
D J Watson (Resigned 16 September 1994)

MALVERN INSTRUMENTS LIMITED

DIRECTORS' REPORT **(continued)**

Directors' interests

No director had any interest in the share capital of the company.
The interests of the directors in the share capital of the ultimate parent company, Burnfield PLC, were as follows :

Burnfield PLC ordinary shares of 10p each

| | 31st December 1994 | | 1st January 1994 or date of appointment if later | |
|------------------|--------------------|--------|---|--------|
| | Options | SAYE | Options | SAYE |
| Dr. D J Bishop | - | - | - | - |
| A R Bragginton | - | 10,069 | - | 10,069 |
| Dr. D J Campbell | - | - | - | - |
| Dr. T A Cooper | 50,000 | 25,173 | 50,000 | 25,173 |
| P I Walker | - | - | - | - |

Fixed assets

The changes in fixed assets are set out in note 8 to the financial statements.

Research and development

The directors consider that new product development and innovation play an important role in the company's success and, accordingly, they continue to further the company's research and development programme. This is allied to a continual appraisal of manufacturing processes and techniques to provide greater efficiency and reduce costs.

Health and safety

The company's policy is to ensure that, as far as it is reasonably practicable, there is a working environment which will minimise the risk to the health and safety of employees and those persons who are authorised to be on its premises.

Disabled persons

Disabled applicants for employment are given equal consideration with other applicants in that selection for employment is determined on the basis of ability to do the work required. Suitable opportunities are offered to disabled persons in order to promote their career development. If an employee becomes disabled while in employment due consideration would be given to continued employment whether in the same or in an alternative capacity and training would be given where necessary.

MALVERN INSTRUMENTS LIMITED

DIRECTORS' REPORT

(continued)

Employee participation

Regular meetings take place between the management and employee representatives so that employees are made aware of matters that are likely to affect their interests and their views can be taken into account. A summary of this year's results will be handed to each employee.

Insurance

An insurance policy to cover directors' and officers' liability was in effect during the year.

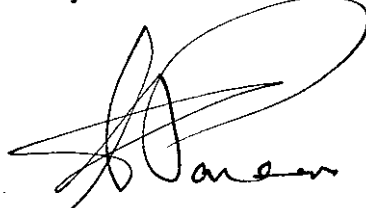
Elective resolutions

By elective resolutions passed by the company in a general meeting on 30 April 1993 the company dispensed with the requirement to lay financial statements before the company in a general meeting, the holding of annual general meetings and the obligation to appoint auditors annually.

Auditors

On 6th February 1995 the company's auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name.

By Order of the Board

A handwritten signature in black ink, appearing to be 'G Parsons', written over a large, loopy flourish.

G Parsons
Company Secretary

6 March 1995

MALVERN INSTRUMENTS LIMITED

DIRECTORS' RESPONSIBILITIES

in respect of the preparation of financial statements

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 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 any other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF MALVERN INSTRUMENTS LIMITED

We have audited the financial statements on pages 7 to 19.

Respective responsibilities of directors and auditors

As described on page 5 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 consider 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 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG
Chartered Accountants
Registered Auditors

2 Cornwall St.,
Birmingham B3 2DL

6 March 1995

MALVERN INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1994

| | | | Year ended 31st Dec 1993 |
|--|-------|--------------|-----------------------------|
| | Notes | £'000 | £'000 |
| Turnover | 2 | 11,723 | 11,298 |
| Cost of sales | | (5,654) | (5,607) |
| Gross profit | | <u>6,069</u> | <u>5,691</u> |
| Distribution costs | | (2,850) | (2,428) |
| Administrative expenses | | (887) | (1,779) |
| Operating profit | | <u>2,332</u> | <u>1,484</u> |
| Interest receivable | | 20 | 152 |
| Profit on ordinary activities before taxation | 3 | <u>2,352</u> | <u>1,636</u> |
| Taxation on profit on ordinary activities | 6 | (654) | (563) |
| Profit on ordinary activities after taxation | | <u>1,698</u> | <u>1,073</u> |
| Dividend | 7 | (1,000) | - |
| Retained profit for the year | 14 | <u>698</u> | <u>1,073</u> |

Turnover and results reported above all relate to continuing activities.

A statement of movements on reserves is given in Note 14.

There is no material difference between the results as disclosed in the profit and loss account and the results calculated on an unmodified historical cost basis.

There were no recognised gains or losses other than the profit reported above.

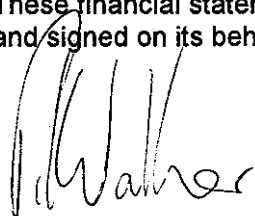
MALVERN INSTRUMENTS LIMITED

BALANCE SHEET

AT 31st DECEMBER 1994

| | Note | 1994 £'000 | 1993 £'000 |
|--|------|----------------|----------------|
| Fixed Assets | | | |
| Tangible assets | 8 | 1,288 | 1,052 |
| Current assets | | | |
| Stocks | 9 | 2,007 | 1,656 |
| Debtors | 10 | 6,125 | 4,167 |
| | | <u>8,132</u> | <u>5,823</u> |
| Creditors: | | | |
| Amounts falling due within one year | 11 | <u>(4,658)</u> | <u>(2,368)</u> |
| Net current assets | | 3,474 | 3,455 |
| Total assets less current liabilities | | <u>4,762</u> | <u>4,507</u> |
| Provision for liabilities | 12 | - | (443) |
| Net assets | | <u>4,762</u> | <u>4,064</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 272 | 272 |
| Capital redemption reserve | 14 | 109 | 109 |
| Profit and loss account | 14 | 4,381 | 3,683 |
| | | <u>4,762</u> | <u>4,064</u> |

These financial statements were approved by the board of directors on 6th March 1995 and signed on its behalf by:



P I Walker
Director



D J Campbell
Director

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994

1. Principal accounting policies

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with Applicable Accounting Standards.

(b) Tangible fixed assets

Tangible fixed assets are depreciated at rates calculated to write off the original cost or subsequent valuation, less the estimated residual value, in equal instalments over the expected useful life of the assets concerned.

(c) Leased assets

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

(d) Stocks

Stocks are stated 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.

(e) 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.

(f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at rates ruling at the balance sheet date. All exchange differences are recorded in the profit and loss account.

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

1. Principal accounting policies (continued)

(g) Pensions

The costs of providing pensions for employees are charged to the profit and loss account over the average expected remaining service lives of the current employees in the scheme.

(h) Research and development

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

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 31st December 1994 £'000 | Year ended 31st December 1993 £'000 |
|----------------|--|--|
| United Kingdom | 2,271 | 2,329 |
| Europe | 3,746 | 3,630 |
| Africa | 206 | 385 |
| America | 2,331 | 2,337 |
| Asia | 2,889 | 2,264 |
| Australia | 280 | 353 |
| | <hr/> 11,723 <hr/> | <hr/> 11,298 <hr/> |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

3. Profit on ordinary activities before taxation

The profit on ordinary activities before taxation is stated after charging/(crediting)

| | Year ended 31st December 1994 £'000 | Year ended 31st December 1993 £'000 |
|---|--|--|
| Depreciation | 116 | 67 |
| Profit on sale of fixed assets | (8) | - |
| Auditors' remuneration | | |
| Audit fees | 18 | 17 |
| Fees to auditors for non audit services | 10 * | 14 |
| Research and development expenditure | 521 | 503 |
| Operating lease rentals - plant and machinery | 145 | 139 |
| Hire of plant and machinery | 29 | 8 |
| Group interest receivable | (20) | (151) |
| Bank interest receivable | - | (1) |

* In addition, fees for non-audit services of £72,000 (1993: Nil) have been charged against the brought forward reorganisation provision.

4. Employees

The average weekly number of employees (including directors) was as follows:

| | Year ended 31st December 1994 | Year ended 31st December 1993 |
|--------------------------|-------------------------------------|-------------------------------------|
| Factory direct | 41 | 43 |
| Factory indirect | 28 | 26 |
| Sales and administration | 58 | 54 |
| | <hr/> 127 | <hr/> 123 |

The aggregate payroll costs of these persons were as follows:

| | £'000 | £'000 |
|-----------------------|-------------|-------------|
| Wages and salaries | 2,463 | 2,176 |
| Social security costs | 214 | 211 |
| Other pension costs | 87 | 76 |
| | <hr/> 2,764 | <hr/> 2,463 |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

5. Directors' emoluments

| | Year ended 31st December 1994 £'000 | Year ended 31st December 1993 £'000 |
|--|--|--|
| Emoluments | 369 | 320 |
| Compensation for loss of office | 35 | 26 |
| Pension contributions | 27 | 31 |
| | <hr/> 431 | <hr/> 377 |
| Emoluments of the chairman, excluding pension contributions | <hr/> - | <hr/> - |
| Highest paid director, excluding pension contributions | <hr/> 61 | <hr/> 59 |

The emoluments of all the directors, excluding pension contributions, fell within the following ranges:

| | Number | Number |
|-----------------|--------|--------|
| £0-£5,000 | 2 | 3 |
| £10,001-£15,000 | - | 2 |
| £15,001-£20,000 | - | 1 |
| £20,001-£25,000 | 1 | 1 |
| £30,001-£35,000 | 3 | - |
| £35,001-£40,000 | - | - |
| £40,001-£45,000 | 1 | 3 |
| £45,001-£50,000 | 3 | 1 |
| £55,001-£60,000 | - | 1 |
| £60,001-£65,000 | 1 | - |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

6. Taxation on profit on ordinary activities

| | Year ended 31st December 1994 £'000 | Year ended 31st December 1993 £'000 |
|--|--|--|
| Current year: | | |
| UK corporation tax at 33% | 635 | 452 |
| Deferred taxation | 19 | 118 |
| | <hr/> 654 | <hr/> 570 |
| Adjustment in respect of prior years: | | |
| UK corporation tax | - | (37) |
| Deferred taxation | - | 30 |
| | <hr/> 654 | <hr/> 563 |

7. Dividend

| | Year ended 31st December 1994 £'000 | Year ended 31st December 1993 £'000 |
|--|--|--|
| Dividend proposed at 367.25p per share | 1,000 | - |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

8. Tangible fixed assets

| | Freehold land and buildings £'000 | Plant, fixtures and motor vehicles £'000 | Total £'000 |
|-----------------------|--|--|----------------|
| Cost: | | | |
| At 1st January 1994 | 926 | 430 | 1,356 |
| Additions | - | 362 | 362 |
| Disposals | - | (41) | (41) |
| At 31st December 1994 | 926 | 751 | 1,677 |
| Depreciation: | | | |
| At 1st January 1994 | 108 | 196 | 304 |
| Charge for the year | 15 | 101 | 116 |
| Disposals | - | (31) | (31) |
| At 31st December 1994 | 123 | 266 | 389 |
| Net book value: | | | |
| At 31st December 1994 | 803 | 485 | 1,288 |
| At 31st December 1993 | 818 | 234 | 1,052 |

Freehold land of £268,000 has not been depreciated.

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

| | |
|---------------------|----------|
| Freehold buildings | 2% |
| Plant and equipment | 10 - 25% |
| Vehicles | 25% |
| Computer equipment | 33% |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

9. Stocks

| | 1994 £'000 | 1993 £'000 |
|------------------|---------------|---------------|
| Raw materials | 366 | 362 |
| Work in progress | 1,276 | 1,100 |
| Finished goods | 365 | 194 |
| | <u>2,007</u> | <u>1,656</u> |

10. Debtors

| | 1994 £'000 | 1993 £'000 |
|--|---------------|---------------|
| Trade debtors | 1,335 | 1,288 |
| Amounts owed by parent company | 3,429 | 1,778 |
| Amounts owed by fellow subsidiary undertakings | 892 | 688 |
| Other debtors | 183 | 134 |
| Prepayments and accrued income | 83 | 82 |
| Corporation tax recoverable | 15 | - |
| Advance corporation tax | - | 197 |
| Deferred taxation | 188 | - |
| | <u>6,125</u> | <u>4,167</u> |

The deferred taxation balance included above is recoverable after more than one year.

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994
(continued)

11. Creditors: Amounts falling due within one year

| | 1994 £'000 | 1993 £'000 |
|---------------------------------------|---------------|---------------|
| Bank overdraft | 987 | 152 |
| Payments on account | 52 | 29 |
| Trade creditors | 724 | 865 |
| Other taxes and social security costs | 102 | 86 |
| Other creditors | 561 | 479 |
| Accruals and deferred income | 800 | 580 |
| Dividend payable | 1,000 | - |
| Corporation tax | 432 | 177 |
| | <u>4,658</u> | <u>2,368</u> |

12. Provision for liabilities

| | Reorganisation provision £'000 | Deferred taxation £'000 | Total £'000 |
|-----------------------|--------------------------------------|-------------------------------|----------------|
| At 1st January 1994 | 650 | (207) | 443 |
| Provided | - | 20 | 20 |
| Utilised | (494) | (1) | (495) |
| Transfer to creditors | (156) | - | (156) |
| At 31st December 1994 | <u>-</u> | <u>(188)</u> | <u>(188)</u> |

The deferred taxation asset has been disclosed in debtors.

An analysis of the provision and the full potential liability for deferred taxation is as follows :-

| | Provided | | Potential | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 1994 £'000 | 1993 £'000 | 1994 £'000 | 1993 £'000 |
| Accelerated capital allowances | 8 | (43) | 8 | (43) |
| Other timing differences | (196) | (164) | (196) | (164) |
| | <u>(188)</u> | <u>(207)</u> | <u>(188)</u> | <u>(207)</u> |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994

(continued)

13. Share capital

| | 1994 | | 1993 | |
|---|---------|-------|---------|-------|
| | Number | £'000 | Number | £'000 |
| Authorised: Ordinary shares of £1 each | 500,000 | 500 | 500,000 | 500 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Allotted, called up and fully paid: Ordinary shares of £1 each | 272,290 | 272 | 272,290 | 272 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

14. Reserves

| | Capital redemption reserve £'000 | Profit and loss account £'000 |
|------------------------------|---|--|
| At 1st January 1994 | 109 | 3,683 |
| Retained profit for the year | - | 698 |
| | <hr/> | <hr/> |
| At 31st December 1994 | 109 | 4,381 |
| | <hr/> | <hr/> |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994

(continued)

**15. Reconciliation of the movements
in shareholders funds**

| | 1994 £'000 | 1993 £'000 |
|--|---------------|---------------|
| Profit on ordinary activities after taxation | 1,698 | 1,073 |
| Dividend | (1,000) | - |
| | <hr/> 698 | <hr/> 1,073 |
| Opening shareholders' funds | 4,064 | 2,991 |
| Closing shareholders' funds | <hr/> 4,762 | <hr/> 4,064 |

16. Commitments

a) Capital expenditure

Future capital expenditure commitments for which no provision has been made in these financial statements are as follows:

| | 1994 £'000 | 1993 £'000 |
|-----------------------------------|---------------|---------------|
| Contracted for | 119 | - |
| Authorised but not contracted for | 26 | 1 |

b) Operating leases

Annual commitments under non-cancellable other operating leases are as follows :-

| | 1994 £'000 | 1993 £'000 |
|-------------------------------------|---------------|---------------|
| Expiring within one year | 32 | 23 |
| Expiring between two and five years | 94 | 96 |
| | <hr/> 126 | <hr/> 119 |

MALVERN INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 1994

(continued)

17. Pensions

The company participates in the group pension schemes operated by the parent company. The assets of the schemes are held in trust funds separate from the group.

The pension cost is assessed on the advice of a professionally qualified actuary and the latest actuarial reviews for this purpose were on 6th April 1993. The pension cost for the year was £87,000 (1993 : £76,000).

A full disclosure note is contained in the financial statements of the parent company, Burnfield PLC.

18. Contingent liabilities

The company had given a guarantee to the company's bank in the normal course of business amounting to £5,154,000 (1993: £5,165,000).

19. Director's Transactions

During the year, to enable Dr T A Cooper to undertake his new duties within the Burnfield group as managing director of Malvern Instruments GmbH, the company granted a relocation loan of £10,000 which was repaid on 19th August 1994.

19. Ultimate parent company

The ultimate parent company is Burnfield PLC, a company incorporated in Great Britain and registered in England and Wales. Copies of the consolidated financial statements of that company may be obtained from 12 Hockley Court, Hockley Heath, Solihull, West Midlands B94 6NW.