

**Agema Infrared Systems Limited****Annual report  
for the year ended 31 December 1993**

	Pages
Directors and advisers	1
Directors' report	2 - 3
Report of the auditors	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the financial statements	8-15



# **Agema Infrared Systems Limited**

## **Directors and advisers**

### **Directors**

L Bergstrom  
B McQueen Smith

### **Secretary and registered office**

M Jenkins  
Arden House  
West Street  
Leighton Buzzard  
Beds LU7 7DD

### **Registered Auditors**

Coopers & Lybrand  
Central Business Exchange  
Midsummer Boulevard  
Central Milton Keynes  
Milton Keynes  
MK9 2DF

### **Solicitors**

Royds Treadwell  
2 Crane Court  
Fleet Street  
London  
ECA4 2BL

### **Bankers**

Midland Bank plc  
Poultry and Princes Street  
London  
EC2P 2BX

**Directors' report  
for the year ended 31 December 1993**

The directors present their report and the audited financial statements for the year ended 31 December 1993.

**Principal activity and business review**

The principal activity of the company during the year continued to be the sale of infrared thermographic equipment. Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

**Changes in presentation of the financial statements**

Following the introduction of Financial Reporting Standard No 3, 'Reporting Financial Performance', the presentation of the financial statements has been amended to conform with the new requirements. Turnover and operating profit have been analysed between continuing and discontinued operations.

**Trading results and dividend**

The company made a net profit for the year after taxation of £474,610 (1992 - £475,211). A final dividend of £330,000 (1992 - £500,000) has been paid with £144,610 being transferred to reserves (1992 - £24,789 loss).

**Directors**

The following directors served throughout the year:

L Bergstrom (Chairman)

B McQueen Smith

In accordance with the Articles of Association the directors retire, and being eligible offer themselves for re-election.

**Directors' interests**

During the year none of the directors had any interests in the share capital of the company, or any material beneficial interests in any significant contract to which the company was a party during the year.

# Agema Infrared Systems Limited

3

## Significant changes in fixed assets

The movement in tangible fixed assets during the year is given in note 9.

## Taxation status

The company was not a close company within the provisions of the Income and Corporation Taxes Act 1988, and this position has not changed since the end of the financial year.

## Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year.


The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1993. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

  
M. Jenkins  
Secretary  
30 March 1994

# Agema Infrared Systems Limited

4

## Report of the auditors to the members of Agema Infrared Systems 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.

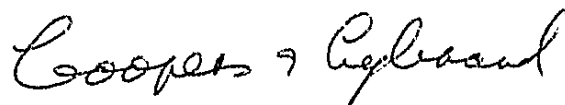
### Basis of opinion

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 at 31 December 1993 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand  
Chartered Accountants and Registered Auditors  
Milton Keynes

30<sup>th</sup> March 1994

**Profit and loss account  
for the year ended 31 December 1993**

	Notes	1993 £	1992 £
Turnover - continuing operations	2	5,544,751	4,298,948
Cost of sales - continuing operations		3,799,937	(2,871,756)
Gross profit		1,744,814	1,427,192
Operating expenses - continuing operations		(1,087,884)	(926,115)
Other income		14,245	82,017
Operating profit - continuing operations		671,175	583,094
Interest receivable	4	79,241	126,176
Profit on ordinary activities before taxation	5	750,416	709,270
Taxation	7	(275,806)	(234,059)
Profit on ordinary activities after taxation		474,610	475,211
Dividend paid	8	(330,000)	(500,000)
Retained profit/(loss) for the year		144,610	(24,789)
Statement of retained profits			
Retained profits at 1 January 1993		877,101	901,890
Retained profit/(loss) for the year		144,610	(24,789)
Retained profits at 31 December 1993		1,021,711	877,101

The company has no recognised gains and losses other than those included in the profits 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, the retained profit for the year stated above, and their historical cost equivalents.


# Agema Infrared Systems Limited

6

## Balance sheet at 31 December 1993

	Notes	1993 £	1992 £
Tangible fixed assets	9	40,608	46,752
Current assets			
Stocks	10	575,863	406,589
Debtors	11	2,143,089	2,059,648
Cash at bank and in hand		1,699,830	623,256
		4,418,782	3,089,493
Creditors: amounts falling due within one year	12	(2,215,179)	(1,036,644)
Net current assets		2,203,603	2,052,849
Total assets less current liabilities		2,244,211	2,099,601
Creditors: amounts falling due after more than one year	13	(507,500)	(507,500)
Net assets		1,736,711	1,592,101
Capital and reserves			
Called up share capital	14	465,000	465,000
Other reserves	15	250,000	250,000
Profit and loss account		1,021,711	877,101
Equity shareholders' funds	16	1,736,711	1,592,101

The financial statements on pages 5 to 15 were approved by the board of directors on 30 [Mar 1994] and were signed on its behalf by:



L Bergstrom  
Director



B McQueen Smith  
Director

# Agema Infrared Systems Limited

## Cash flow statement for the year ended 31 December 1993

	Notes	1993 £	1992 £
Net cash flow from continuing operating activities	1	<u>1,572,401</u>	<u>30,633</u>
Returns on investments and servicing of finance			
Interest received		79,241	126,176
Dividend paid		<u>(330,000)</u>	<u>(500,000)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(250,759)</u>	<u>(373,824)</u>
Taxation			
UK corporation tax paid		<u>(238,061)</u>	<u>(421,050)</u>
Investment activities			
Purchase of tangible fixed assets		(9,236)	(6,183)
Sale of tangible fixed assets		<u>2,229</u>	<u>1,065</u>
Net increase/(decrease) in cash		<u><u>1,076,574</u></u>	<u><u>(769,359)</u></u>

### Note to the cash flow statement

#### 1 Net cash flow from continuing operating activities

	1993 £'000	1992 £'000
Operating profit	671,175	583,094
Depreciation	14,730	15,092
(Profit) on disposal of tangible fixed assets	(1,579)	(65)
(Increase)/decrease in stocks	(169,274)	194,356
(Increase) in trade and other debtors	(72,543)	(423,692)
(Increase)/decrease in prepayments and accrued income	(10,898)	2,180
Increase/(decrease) in trade creditors	1,000,660	(393,801)
(Decrease)/increase in other taxation and social security	(458)	33,184
Increase in accruals	<u>140,588</u>	<u>20,285</u>
Net cash flow from continuing operating activities	<u><u>1,572,401</u></u>	<u><u>30,633</u></u>



**Notes to the financial statements  
for the year ended 31 December 1993**

**1 Principal accounting policies**

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 consistently, is set out below.

**Changes in accounting policies**

The new accounting standards, FRS 3 and FRS 4, require the adoption of accounting policies which differ from those previously adopted by the company. Accordingly, the following changes in presentation have been made. The changes have had no effect on comparative figures.

- (a) Turnover and operating profit are analysed between continuing and discontinued operations.
- (b) Shareholders' funds is analysed between equity interests and non-equity interests.

**Basis of accounting**

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

**Turnover**

Turnover represents the total net sales to customers excluding value added tax.

**Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write-off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned.

The following rates of depreciation are used:-

Short leasehold buildings	over the term of the lease
Fixtures, fittings, tools and equipment	15% per annum

## Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis. Where necessary, provision is made for obsolete and slow moving stocks.

## Deferred taxation

Provision is made for deferred tax, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

## Translation of foreign currency balances

Assets and liabilities in foreign currencies have been translated into sterling at the rates of exchange ruling at the year end. Transactions during the year are translated at the rate ruling at the date of the transaction. All exchange differences arising are dealt with in the profit and loss account during the year.

## Operating leases

Operating lease rentals are charged to the profit and loss account as they are incurred.

## Pension scheme arrangements

The company operates a defined benefit pension scheme. The fund is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees services. The company provides no other post retirement benefits to its employees.

## 2 Turnover

The company's turnover which arose from a single class of business is analysed as follows:-

	1993 £	1992 £
United Kingdom	2,621,772	2,346,729
Overseas	2,922,979	1,952,219
	<u>5,544,751</u>	<u>4,298,948</u>

# Agema Infrared Systems Limited

10

## 3 Net operating expenses

	1993 £	1992 £
Continuing operations		
Administrative and selling expenses	<u>1,087,884</u>	<u>926,115</u>

## 4 Interest receivable

	1993	1992
Interest receivable on bank balances held on a pooled group basis	<u>£79,241</u>	<u>£126,176</u>

## 5 Profit on ordinary activities before taxation

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

	1993 £	1992 £
Staff costs	864,628	631,604
Directors' emoluments	92,301	72,637
Auditor's remuneration - audit	1,970	1,900
Auditor's remuneration - other services	1,850	810
Depreciation	14,730	15,012
(Profit) on disposal of fixed assets	(1,579)	(65)
Operating lease rentals - land and buildings	34,400	31,800
Operating lease rentals - vehicles	66,906	65,742
Exchange gains/(losses)	<u>26,856</u>	<u>(5,083)</u>

## 6 Employee information

	1993 £	1992 £
Directors' emoluments:		
Fees	-	1,650
Emoluments (including pension contributions and benefits in kind)	<u>92,301</u>	<u>70,987</u>
	<u>92,301</u>	<u>72,637</u>

Emoluments, excluding pension contributions, were paid as follows:

Chairman	-	-
Highest paid director	<u>£86,683</u>	<u>£69,761</u>

# Agema Infrared Systems Limited

11

Directors received emoluments (excluding pension contributions) in the following ranges:-

£0 to £5,000	1	2
£65,001 to £70,000	-	1
£85,001 to £90,000	1	-
	<u>1</u>	<u>3</u>

Staff costs (including directors):

Wages and salaries	659,243	569,945
Social security costs	56,252	46,828
Other pension costs	149,133	14,831
	<u>864,628</u>	<u>631,604</u>

Average number of persons employed during the year:

	Number	Number
Administrative and selling	21	21
	<u>21</u>	<u>21</u>

## 7 Taxation

	1993 £	1992 £
UK corporation tax based on the profit for the year at 33% (1992:33%)	283,000	234,059
Adjustment in respect of prior years:		
UK corporation tax	(7,194)	-
	<u>275,806</u>	<u>234,059</u>

## 8 Dividend paid

	1993 £	1992 £
On ordinary shares at 71.0p per share (1992: 107.5p per share)	<u>330,000</u>	<u>500,000</u>

## 9 Tangible fixed assets

	Short leasehold land and buildings £	Fixtures fittings, tools and equipment £	Total £
Cost			
At 1 January 1993	42,737	161,116	203,853
Additions	-	9,236	9,236
Disposals	-	(2,000)	(2,000)
At 31 December 1993	42,737	168,352	211,089
Depreciation			
At 1 January 1993	30,601	126,500	157,101
Charge for year	4,274	10,456	14,730
Disposals	-	(1,350)	(1,350)
At 31 December 1993	34,875	135,606	170,481
Net book value			
At 31 December 1993	7,862	32,746	40,608
Net book value			
At 31 December 1992	12,136	34,616	46,752

## 10 Stocks

	1993	1992
Finished goods for resale	£575,863	£406,589

## 11 Debtors

	1993 £	1992 £
Trade debtors	1,966,049	2,001,774
Amounts owed by group companies	110,020	250
Other debtors	14,839	16,341
Prepayments and accrued income	52,181	41,283
	2,143,089	2,059,648

# Agema Infrared Systems Limited

13

## 12 Creditors: amounts falling due within one year

	1993 £	1992 £
Trade creditors	449,292	179,798
Amounts owed to group companies	916,998	185,837
Corporation tax	517,059	479,314
Other taxation and social security	43,699	44,157
Accruals	288,131	147,543
	<u>2,215,179</u>	<u>1,036,644</u>

## 13 Creditors: amounts falling due after more than one year

	1993 £	1992 £
Amount owed to group company	<u>£507,500</u>	<u>£507,500</u>

The amount owed to group company does not bear interest and has no set date for repayment.

## 14 Called-up share capital

	1993 £	1992 £
Authorised, allotted, called up and fully paid 465,000 shares of £1 each	<u>£465,000</u>	<u>£465,000</u>

## 15 Other Reserves

	1993 £	1992 £
At 1 January 1993 and 31 December 1993	<u>£250,000</u>	<u>£250,000</u>

The other reserves arise from a contribution made to Agema Infrared Systems Limited by Spectra-Physics Holdings PLC which is treated as a non-distributable reserve.

## 16 Reconciliation of movements in equity shareholders' funds

	1993 £	1992 £
Opening equity shareholders' funds	1,592,101	1,616,890
Profit/(loss) for the financial year	144,610	(24,789)
Closing equity shareholders' funds	<u>1,736,711</u>	<u>1,592,101</u>

## 17 Cash reconciliation

	1993 £	1992 £
Changes in the year		
At 1 January	623,256	1,392,615
Net cash flows	1,076,574	(769,359)
At 31 December	<u>1,699,830</u>	<u>623,256</u>

## 18 Contingent liabilities

There is a contingent liability of £14,000,000 (1992: £12,000,000) in respect of a guarantee and set off rights given in support of bank borrowings of other group companies. This guarantee is secured by a fixed and floating charge over the assets of the company.

The company was contingently liable under tender and performance guarantees at 31 December 1993 to the extent of £730,926 (1992: £162,048).

## 19 Commitments under operating leases

At 31 December 1993 the company had annual commitments under non-cancellable operating leases as follows:

	1993		1992	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Date of lease termination				
2 - 5 years	-	66,906	-	65,742
After 5 years	34,400	-	31,800	-
	<u>34,400</u>	<u>66,906</u>	<u>31,800</u>	<u>65,742</u>

## 20 Pension obligations

All employees belong to the Agema Infrared Systems Limited Pension and Life Assurance Scheme. The scheme is a defined benefit, fully funded scheme with the funds being held on behalf of the Trustees by the Legal and General Assurance Society Limited.

The total pension cost for the company during the year was £149,133 (1992 - £14,831). The actuarial method used is called the projected unit method with a five year control period. The major assumptions are that investment yields will be 9% per annum compound and that the mortality of members and dependants will be in accordance with that experienced under occupational pension schemes generally. Contributions are made in accordance with actuarial recommendations in order that benefits can be met as and when they fall due.

The most recent actuarial review was made in April 1992. The market value of the pool of investments at 1 April 1992 was £1,089,000 and the level of funding of the scheme was 116% at that date. The Trustees appropriated this surplus by allowing a contribution holiday for members and Agema Infrared Systems Ltd for the period 1 April 1992 - 31 March 1993. For the period 1 April 1993 - 31 March 1994 contributions to the scheme by members are and remain at 5% of contributory pay. Contributions by Agema Infrared Systems Ltd for the period 1 April 1993 - 31 March 1994 reverted to 8% of pensionable salaries and a provision of £100,000 has been made for additional contributions required from the company for additional liabilities resulting from organisational changes made during the year.

## 21 Ultimate holding company

The directors regard Spectra Physics AB incorporated in Sweden as the ultimate holding company. Copies of the parent's consolidated financial statements may be obtained from The Secretary, Spectra-Physics AB, Box 5226, S-102 45 Stockholm, Sweden.