

09 - 04 - 95

Arcom Control Systems Limited
Annual report
for the year ended 31 December 1994
Registered in England no: 1608562



09 - 04 - 95

Arcom Control Systems Limited

Annual report for the year ended 31 December 1994

| | Pages |
|---|---------------|
| Directors and advisers | 1 |
| Directors' report | 2 - 4 |
| Statement of directors' responsibilities | 4 |
| Auditors' report | 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Notes to the financial statements | 8 - 14 |

09 - 04 - 95

Arcom Control Systems Limited

1

Directors and advisers

Directors

J W Poulter (Chairman)
P Cuthbert (Managing Director)
(resigned 31 December 1994)
J J S Bain
P F Scott
A Kirk (appointed 1 January 1994)

Secretary and registered office

J J S Bain
Unit 8
Clifton Road
Cambridge
CB1 4WH

Registered Auditors

Coopers & Lybrand
1 Embankment Place
London
WC2N 6NN

Bankers

National Westminster Bank PLC
Bishopsgate Business Centre
15 Bishopsgate
London
EC2P 2AP

Solicitors

Mills & Reeve
112 Hills Road
Cambridge
CB2 1PH

Arcom Control Systems Limited

2

**Directors' report
for the year ended 31 December 1994**

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

Principal activities

The profit and loss account for the year is set out on page 6.

The principal activities of the company are the development, manufacture and marketing of computer control systems.

Review of business and future developments

Both the level of business and the year end financial position were satisfactory. The directors are hoping that the company will grow profitably in the future.

Dividends and transfers to reserves

An interim dividend of £6.48 per share has been paid. The directors do not recommend the payment of a final dividend. The loss for the financial year of £106,000 will be set off against the accumulated brought forward reserves.

Research and development

During the year the company has continued the expansion of its research and development programme.

Fixed assets

Movements on fixed assets are shown in note 10 to the financial statements.

Employees

It is the policy of Arcom Control Systems Limited to provide information to its employees on a regular basis. This information includes matters relating to its performance, its prospects in the market and the economic outlook of its business in the period ahead.

Financial participation in Fairey Group plc (the Parent Company) is encouraged through the Savings Related Share Option Scheme.

It is the policy of Arcom to recruit, train and promote disabled persons on the basis of their aptitudes and abilities. If an employee becomes disabled, every effort would be made to retain them and when necessary re-train them for appropriate posts.

Arcom Control Systems Limited

3

Directors

The directors of the company during the year were:

J W Poulter (Chairman)
 P Cuthbert (resigned 31 December 1994)
 J J S Bain
 P F Scott
 A Kirk (appointed 1 January 1994)

Directors' interests

Except as shown below, no director had any interest in the shares of any group company. The following are in respect of ordinary shares of 5p each in Fairey Group plc, the ultimate holding company.

On 20 June 1994 Fairey Group plc carried out a bonus issue of one 5p ordinary share for each 5p ordinary share held at that date.

| | Fairey Group plc | |
|------------|---------------------------------|---------------------------------|
| | 31 December 1994 | 1 January 1994 |
| | Number 5p ordinary shares | Number 5p ordinary shares |
| P Cuthbert | 17,000 | 33,000 |
| J J S Bain | 118,400 | 59,200 |
| P F Scott | 118,400 | 59,200 |

The interests of JW Poulter in the shares of the ultimate holding company are disclosed in that company's financial statements.

The following options, each of which carries an entitlement to subscribe for one ordinary 5p share in Fairey Group plc, were outstanding at 31 December 1994.

| | Fairey Group plc | | | | |
|------------|-----------------------|----------------|---------|-----------|-----------------------|
| | 1 January 1994 | | | | 31 December 1994 |
| | 5p ordinary shares | Capitalisation | Granted | Exercised | 5p ordinary shares |
| P Cuthbert | 8,087 | 8,087 | - | - | 16,174 |
| J J S Bain | 4,174 | 4,174 | - | - | 8,348 |
| A M Kirk | - | - | 5,000 | - | 5,000 |

09 - 04 - 95

Arcom Control Systems Limited

4

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 period.

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 1994. 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.

By order of the board



J J S Bain
Company secretary

Report of the auditors to the members of Arcom Control Systems Limited

We have audited the financial statements on pages 6 to 14.

Respective responsibilities of directors and auditors

As described on page 4 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 1994 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

**Coopers & Lybrand
Chartered Accountants and Registered Auditors
London**

9 March 1995

Arcom Control Systems Limited

6

**Profit and loss account
for the year ended 31 December 1994**

| | Notes | 1994 £'000 | 1993 £'000 |
|---|-------|---------------|---------------|
| Turnover - continuing operations | 2 | 7,161 | 5,709 |
| Cost of sales - continuing operations | | (3,978) | (2,854) |
| | | <hr/> | <hr/> |
| Gross profit | | 3,183 | 2,855 |
| Distribution costs - continuing operations | | (119) | (98) |
| Administrative expenses - continuing operations | | (2,819) | (2,352) |
| | | <hr/> | <hr/> |
| Operating profit - continuing operations | 3 | 245 | 405 |
| Interest receivable | 6 | 5 | 4 |
| Interest payable and similar charges | 7 | (44) | (14) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities before taxation | | 206 | 395 |
| Taxation on profit on ordinary activities | 8 | (96) | (137) |
| | | <hr/> | <hr/> |
| Profit on ordinary activities after taxation | | 110 | 258 |
| Dividends | 9 | (216) | (198) |
| | | <hr/> | <hr/> |
| Retained (loss)/profit for the year | 16 | (106) | 60 |
| | | <hr/> | <hr/> |

The company has no recognised gains and losses other than the loss 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 and the retained loss for the year stated above, and their historical cost equivalents.

Arcom Control Systems Limited

7

Balance sheet
at 31 December 1994

| | Notes | 1994 £'000 | 1993 £'000 |
|---|-------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 10 | 223 | 177 |
| Investments | 11 | - | - |
| Current assets | | | |
| Stocks | 12 | 1,196 | 930 |
| Debtors | 13 | 1,260 | 1,226 |
| Cash at bank and in hand | | 99 | 72 |
| | | <u>2,555</u> | <u>2,228</u> |
| Creditors: amounts falling due within one year | 14 | <u>1,886</u> | <u>1,407</u> |
| Net current assets | | <u>669</u> | <u>821</u> |
| Total assets less current liabilities | | <u>892</u> | <u>998</u> |
| Net assets | | <u>892</u> | <u>998</u> |
| Capital and reserves | | | |
| Called up share capital | 15 | 33 | 33 |
| Share premium account | 16 | 305 | 305 |
| Profit and loss account | 16 | 554 | 660 |
| Equity shareholders' funds | 17 | <u>892</u> | <u>998</u> |

The financial statements on pages 6 to 14 were approved by the board of directors on
and were signed on its behalf by:

9th March 1995



J J S Bain
Director

Arcom Control Systems Limited

8

**Notes to the financial statements
for the year ended 31 December 1994****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.

The company is a wholly owned subsidiary of Fairey Group plc and the cash flows of the company are included in the consolidated group cash flow statement of Fairey Group plc. Consequently the company is exempt under the terms of Financial Reporting Standard No 1 from publishing a cash flow statement.

Basis of accounting

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

Turnover

Turnover represents sales at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful economic lives. The principal annual rates used for this purpose are:

| | |
|--------------------------------|--|
| Short leasehold properties | - over the remaining period of the lease |
| Fixtures and fittings | - 25% per annum |
| Machinery, plant and equipment | - 25% and 33% per annum |
| Motor vehicles | - 25% per annum |
| Software | - 33% per annum |

The estimated useful economic lives of the short leasehold properties have been reduced to reflect the company's plans for their future use.

Stocks

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost includes an appropriate proportion of production overhead expenditure. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Arcom Control Systems Limited

9

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a net liability or asset will crystallise.

Research and development

Research and development expenditure is written off as it is incurred.

Leased assets

Costs in respect of operating leases are charged against operating profit as they accrue. Assets held under finance leases are capitalised and depreciated in accordance with other tangible fixed assets and a corresponding liability to the finance company is set up. Finance charges are allocated over the lease period so as to represent a constant proportion of the capital element outstanding.

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences arising from changes in exchange rates on revenue transactions, and realised and unrealised differences on foreign currency denominated assets and liabilities are dealt with through the profit and loss account.

2 Turnover and profits

The turnover and profit before tax is attributable to the company's principal activity. Turnover is analysed by geographical area below:

| | 1994 £'000 | 1993 £'000 |
|-------------------------------|---------------|---------------|
| United Kingdom | 5,916 | 4,529 |
| Continental Europe | 442 | 365 |
| Australia | 279 | 301 |
| USA and the rest of the world | 524 | 514 |
| | <u>7,161</u> | <u>5,709</u> |

3 Operating profit

Operating profit is stated after charging/(crediting):

| | 1994 £'000 | 1993 £'000 |
|---|---------------|---------------|
| Depreciation | 139 | 111 |
| Hire of plant and machinery | - | 2 |
| Hire of other assets - operating leases | 95 | 85 |
| Auditors' remuneration - audit services | 16 | 16 |
| Auditors' remuneration - non audit services | 3 | 2 |
| Expenditure on research and development | 458 | 476 |
| Income from research and development | (50) | (59) |
| | <u></u> | <u></u> |

Arcom Control Systems Limited

10

4 Employees

The average weekly number of employees, including directors, during the year was as follows:

| | 1994 Number | 1993 Number |
|-----------------------------|----------------|----------------|
| Production and distribution | 58 | 52 |
| Other | 57 | 48 |
| | <u>115</u> | <u>100</u> |

Staff costs (including directors) consist of:

| | 1994 £'000 | 1993 £'000 |
|---------------------|---------------|---------------|
| Wages and salaries | 1,833 | 1,511 |
| Social security | 180 | 152 |
| Other pension costs | 51 | 36 |
| | <u>2,064</u> | <u>1,699</u> |

5 Directors' emoluments

| | 1994 £'000 | 1993 £'000 |
|--------------------------------------|---------------|---------------|
| Remuneration for management services | 138 | 94 |
| Pension costs | 22 | 17 |
| | <u>160</u> | <u>111</u> |

Fees and other emoluments (excluding pension contributions) include amounts paid to:

| | 1994 £'000 | 1993 £'000 |
|---------------------------|---------------|---------------|
| The chairman | Nil | Nil |
| The highest paid director | 52 | 48 |

Directors' emoluments (excluding pension contributions) fell within the ranges:

| | 1994 Number | 1993 Number |
|-------------------|----------------|----------------|
| £0 - £ 5,000 | 2 | 2 |
| £40,001 - £45,000 | 2 | 1 |
| £45,001 - £50,000 | . | 1 |
| £50,001 - £55,000 | 1 | . |

6 Interest receivable

| | 1994 £'000 | 1993 £'000 |
|---------------|---------------|---------------|
| Bank deposits | 5 | 4 |

| | Short leasehold properties £'000 | Fixtures and fittings £'000 | Machinery plant and equipment £'000 | Motor vehicles £'000 | Software £'000 | Total £'000 |
|-----------------------|---|--------------------------------------|--|----------------------------|-------------------|----------------|
| Cost | | | | | | |
| At 1 January 1994 | 124 | 78 | 254 | 15 | 20 | 491 |
| Additions | - | - | 95 | - | 91 | 186 |
| Disposals | - | - | (6) | - | (5) | (11) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1994 | 124 | 78 | 343 | 15 | 106 | 666 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Depreciation | | | | | | |
| At 1 January 1994 | 70 | 50 | 173 | 7 | 15 | 315 |
| Provided for the year | 54 | 9 | 49 | 2 | 25 | 139 |
| Disposals | - | - | (6) | - | (5) | (11) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1994 | 124 | 59 | 216 | 9 | 35 | 443 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net book value | | | | | | |
| At 31 December 1994 | - | 19 | 127 | 6 | 71 | 223 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 31 December 1993 | 54 | 28 | 81 | 8 | 5 | 176 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

Arcom Control Systems Limited

12

11 Investments

The company holds 100% of the nominal value of the shares in Arcom Control Equipment Limited, a company registered in England with an issued share capital of 2 ordinary shares of £1 each. Arcom Control Equipment Limited is dormant and has not traded during the year.

12 Stocks

| | 1994 £'000 | 1993 £'000 |
|------------------|---------------|---------------|
| Raw materials | 689 | 482 |
| Work in progress | 190 | 206 |
| Finished goods | 317 | 242 |
| | <u>1,196</u> | <u>930</u> |

13 Debtors

| | 1994 £'000 | 1993 £'000 |
|-------------------------------------|---------------|---------------|
| Amounts falling due within one year | | |
| Trade debtors | 1,182 | 1,160 |
| Amounts owed by group undertakings | 12 | 10 |
| Other debtors | - | 1 |
| Prepayments and accrued income | 66 | 55 |
| | <u>1,260</u> | <u>1,226</u> |

14 Creditors: amounts falling due within one year

| | 1994 £'000 | 1993 £'000 |
|------------------------------------|---------------|---------------|
| Trade creditors | 575 | 838 |
| Amounts owed to group undertakings | 1,046 | 254 |
| Corporation tax | 100 | 154 |
| Other taxation and social security | 82 | 71 |
| Accruals and deferred income | 83 | 65 |
| Dividend payable | - | 25 |
| | <u>1,886</u> | <u>1,407</u> |

15 Called-up share capital

| | 1994 £'000 | 1993 £'000 |
|------------------------------------|---------------|---------------|
| Authorised | | |
| 65,000 ordinary shares of £1 each | 65 | 65 |
| | <u>65</u> | <u>65</u> |
| Allotted, called up and fully paid | | |
| 33,333 ordinary shares of £1 each | 33 | 33 |
| | <u>33</u> | <u>33</u> |

09 - 04 - 95

Arcom Control Systems Limited

13

16 Reserves

| | Profit and loss account £'000 | Share premium account £'000 |
|----------------------------|--|--------------------------------------|
| At 1 January 1994 | 660 | 305 |
| Retained loss for the year | (106) | - |
| At 31 December 1994 | <u>554</u> | <u>305</u> |

17 Reconciliation of movements in shareholders' funds

| | 1994 £'000 | 1993 £'000 |
|--|---------------|---------------|
| Profit for the financial year | 110 | 258 |
| Dividends | (216) | (198) |
| Net (decrease)/increase in shareholders' funds | <u>(106)</u> | <u>60</u> |
| Opening shareholders' funds | 998 | 938 |
| Closing shareholders' funds | <u>892</u> | <u>998</u> |

18 Commitments under operating leases

| | 1994 | | 1993 | |
|--------------------------------|--------------------------------|----------------|--------------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Operating leases which expire: | | | | |
| Within one year | - | 13 | - | 18 |
| In two to five years | 28 | 40 | - | 42 |
| After five years | 81 | - | 81 | - |
| | <u>109</u> | <u>53</u> | <u>81</u> | <u>60</u> |

19 Related party transaction

During the year consultancy fees amounting to £5,119 (1993: £6,016) were paid to an individual with whom JJS Bain is connected.

09 - 04 - 95

Arcom Control Systems Limited

14

20 Contingent liabilities

With other members of the Group, the company has guaranteed the following banking facilities made available to Fairey Group plc at 31 December 1994:

| | | |
|-------------------------------|----------------|------------------------|
| Lloyds Bank PLC | US\$15,000,000 | (1993: US\$15,000,000) |
| National Westminster Bank PLC | £1,335,000 | (1993: £1,041,000) |

21 Capital commitments

| | 1994 £'000 | 1993 £'000 |
|--|---------------|---------------|
| Capital expenditure that has been contracted for but has not been provided for in the financial statements | 168 | - |

22 Ultimate parent company

The ultimate parent company is Fairey Group plc which is incorporated in Great Britain and registered in England. Annual accounts are available at Fairey Group plc, Station Road, Egham, Surrey.