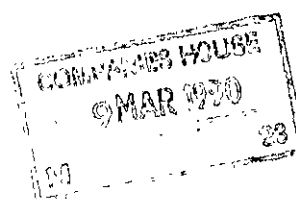


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ARCOM CONTROL SYSTEMS LIMITED

Year ended

31st December 1989



ARCOM CONTROL SYSTEMS LIMITED

Annual report and financial statements for the year ended 31st December 1989

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Directors

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-

Directors

J.W. Poulter (Chairman)
P. Cuthbert
J.J.S. Bain
D.J. Kingsbury C.B.E.
A.T. Nicol
P.F. Scott

Secretary and registered office

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

Auditors

Attoy Hayward, 8 Baker Street, London, W1M 1DA

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ARCOM CONTROL SYSTEMS LIMITED

Report of the directors for the year ended 31st December 1989

The directors submit their report together with the audited financial statements for the year ended 31st December 1989.

Results and dividends

The profit and loss account is set out on page 2 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, trading review and future developments

The company develops, manufactures and markets computer control systems.

Research and development

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

Fixed assets

Significant changes in fixed assets are shown in note 8 to the accounts.

Directors

The directors of the company during the year and their interests in the share capital of the company were:

		Ordinary shares of £1 each	
		<u>1989</u>	<u>1988</u>
			Or date of appointment if later
J.W. Poulter	(appointed 22nd November 1989)	-	-
P. Cuthbert		3,531	-
J.J.S. Bain	- beneficial	3,531	-
D.J. Kingsbury		296	296
A.T. Nicol		4,677	5,250
P.F. Scott		4,677	5,250
A.J.B. Winter	(resigned 22nd November 1989)	1,334	7,250

Auditors

Stoy Hayward have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

By order of the board

J.J.S. Bain 

Secretary

16th February 1990

ARCOM CONTROL SYSTEMS LIMITED

Profit and loss account for the year ended 31st December 1989

	<u>Note</u>	<u>1989</u> £	<u>1988</u> £
Turnover	2	2,512,782	2,019,274
Cost of sales		1,090,090	829,132
Gross profit		1,422,692	1,190,142
Distribution costs		72,821	49,931
Administrative expenses		<u>1,201,324</u>	<u>1,008,715</u>
		1,274,145	1,058,646
Operating profit	4	148,547	131,496
Interest payable	5	66,495	39,471
Profit on ordinary activities before taxation		82,052	92,025
Tax on profit on ordinary activities	6	33,949	32,137
Profit on ordinary activities after taxation		48,103	59,888
Extraordinary charge	7	13,550	-
Profit for the year		34,553	59,888
Retained profit brought forward		126,019	66,131
Retained profit carried forward		160,572	126,019

The notes on pages 4 to 9 form part of these financial statements

ARCOM CONTROL SYSTEMS LIMITED

Balance sheet at 31st December 1989

	<u>Note</u>	<u>1989</u> £	<u>1988</u> £
Fixed assets			
Tangible assets	8	156,218	182,561
Current assets			
Stocks	9	222,526	306,162
Debtors	10	468,854	505,442
Cash at bank and in hand		<u>500</u>	<u>421</u>
		691,880	812,025
Creditors			
Amounts falling due within one year	11	<u>436,096</u>	<u>765,199</u>
Net current assets		255,784	46,826
Total assets less current liabilities		412,002	229,387
Creditors			
Amounts falling due after more than one year	12	153,860	5,798
		258,142	223,589
Capital and reserves			
Called up share capital	14	29,583	29,583
Share premium account		67,987	67,987
Profit and loss account		160,572	126,019
		258,142	223,589

J.W. Poulter

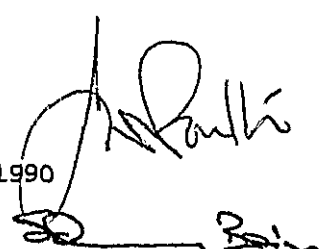
)

) Directors

) 16th February 1990

J.J.S. Bain

)



The notes on pages 4 to 9 form part of these financial statements

ARCOM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989

1. Accounting policies

The financial statements have been prepared under the historical cost convention using the following accounting policies:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets over their expected useful lives. It is calculated on the original cost of the assets at 25 per cent per annum on a straight line basis for all categories of fixed assets except for leasehold properties which are amortised over the remaining life of the lease.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Deferred taxation

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

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Leased assets and assets held under hire purchase agreement

Where assets are financed by hire purchase agreements or finance leases that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the cash price of the asset. The corresponding hire purchase commitments are shown as amounts payable to the finance company. Depreciation on the relevant assets is charged to the profit and loss account.

All other leases are treated as 'operating leases'. Their annual rentals are charged to the profit and loss account on a straight-line basis over the lease term.

Pension costs

After a period of qualifying service all employees are entitled to join a money purchase pension scheme. The company and the employee each make contributions to the scheme. Benefits paid under the scheme are dependent upon the contributions made and the company has no liability to make top up payments. All contributions are written-off in the year of payment.

ARCOM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989
(Continued)

2. Turnover

The turnover and profit before taxation is attributable to one activity; the development, manufacture and marketing of computer control systems. Turnover is analysed by market below:

	<u>1989</u> £	<u>1988</u> £
United Kingdom	2,339,672	1,961,394
Europe	129,908	21,237
Australia	39,795	34,546
United States of America	<u>3,407</u>	<u>2,097</u>
	<u>2,512,782</u>	<u>2,019,274</u>

3. Employees

Staff costs (including directors' emoluments) consist of:

Wages and salaries	686,631	597,835
Social security costs	70,160	59,746
Other pension costs	<u>28,796</u>	<u>13,453</u>
	<u>785,587</u>	<u>671,034</u>

There were no employees (other than directors) whose remuneration exceeded £30,000.

The average number of employees during the year was 61 (1988 - 60).

Directors' emoluments

	<u>1989</u> £	<u>1988</u> £
Management remuneration	<u>134,996</u>	<u>127,141</u>

The emoluments (excluding pension contributions) of the chairman and highest paid director were as follows:

	<u>1989</u> £	<u>1988</u> £
Chairman	-	27,149
Highest paid director	<u>30,017</u>	<u>30,100</u>

ARCOM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989
(Continued)

3. Employees (Continued)

The emoluments of the other directors fell within the following bands:

	<u>1989</u> Number	<u>1988</u> Number
£ 0 - £ 5,000	2	2
£25,001 - £30,000	3	-
£30,001 - £35,000	-	2
	<hr/>	<hr/>

4. Profit on operations

Operating profit is arrived at after charging:

	£	£
Depreciation	91,629	90,452
Hire of plant and machinery - operating leases	46,141	30,268
Auditors' remuneration	11,360	8,820
	<hr/>	<hr/>

5. Interest payable

Bank overdraft and loans repayable within 5 years	59,286	33,916
Hire purchase and lease commitments	7,166	5,517
Other interest	43	38
	<hr/>	<hr/>
	66,495	39,471
	<hr/>	<hr/>

6. Taxation

UK corporation tax at 35% (1988 - 35%) based on profit for the year	32,012	33,243
Underprovision in previous years	1,937	561
Transfer from deferred taxation account	-	(1,667)
	<hr/>	<hr/>
	33,949	32,137
	<hr/>	<hr/>

7. Extraordinary charge

Costs of raising finance and restructuring	21,681	-
Taxation credit	(8,131)	-
	<hr/>	<hr/>
	13,550	-
	<hr/>	<hr/>

ARCOM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989
(Continued)

8. Tangible assets

	Short Leasehold properties £	Fixtures and fittings £	Plant, machinery and equipment £	Motor vehicles £	Total £
Cost					
At beginning of year	15,000	82,385	262,980	39,865	400,230
Additions	-	8,304	59,079	-	67,383
Disposals	-	-	-	(8,389)	(8,389)
At end of year	15,000	90,689	322,059	31,476	459,224
Depreciation					
At beginning of year	1,038	39,989	152,993	23,649	217,669
Provided for the year	750	17,358	65,652	7,870	91,630
Eliminated on disposals	-	-	-	(6,293)	(6,293)
At end of year	1,788	57,347	218,645	25,226	303,006
Net book value					
31st December 1989	13,212	33,342	103,444	6,250	156,218
31st December 1988	13,962	42,396	109,987	16,216	182,561

The net book value of assets held under hire purchase contracts and finance leases is £37,477 (1988 - £35,757). Depreciation charged on these assets during the year was £27,183 (1988 - £19,375).

9. Stocks

	1989 £	1988 £
Raw materials	115,054	132,050
Work in progress	35,525	93,871
Finished goods	53,810	65,770
Prepaid licences	18,137	14,471
	222,526	306,162

There is no material difference between replacement cost of stocks and their value as shown above.

10. Debtors

	1989 £	1988 £
Trade debtors	439,446	479,747
Prepayments and accrued income	29,408	25,695
	468,854	505,442

These amounts are all due within one year.

ARCOM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989
(Continued)

11. Creditors:

Amounts falling due within one year

	<u>1989</u> £	<u>1988</u> £
Bank loans and overdrafts	62,760	436,278
Trade creditors	216,715	182,546
Corporation tax	23,881	33,243
Taxation and social security	60,760	49,656
Accruals	51,388	45,755
Obligations under hire purchase contracts and finance leases	<u>20,592</u>	<u>17,721</u>
	436,096	765,199

The bank overdraft is secured by a fixed and floating charge over the assets of the company.

12. Creditors:

Amounts falling due after more than one year

	<u>1989</u> £	<u>1988</u> £
Loan from Fairey plc	150,000	-
Obligations under hire purchase contracts and finance leases	<u>3,860</u>	<u>5,798</u>
	153,860	5,798

The loan is secured by a fixed and floating charge (subordinated to the bank security in note 11) and bears interest at 2.5% over LIBOR. Interest is payable quarterly in arrears.

The loan is repayable by instalments as follows:

	£
Within one year	-
Within 1 - 2 years	12,500
Within 5 years	<u>137,500</u>
	150,000

The loan is convertible into ordinary shares at the option of the lender in the event of a default on interest or capital repayments at the rate of one ordinary share for every £10.15 of the loan outstanding at the date of default.

13. Deferred taxation

	<u>1989</u>		<u>1988</u>	
	Unprovided	Provided	Unprovided	Provided
	£	£	£	£
Capital allowances	(8,980)	-	(5,370)	-

ARCROM CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1989
(Continued)

14. Share capital

	Authorised		Issued and fully paid	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	£	£	£	£
Ordinary shares of £1 each	65,000	30,000	29,583	29,583
Redeemable preference shares of £1 each	<u>-</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
	65,000	65,000	29,583	29,583

Pursuant to a special resolution on 22nd November 1989 all the redeemable preference shares were converted into ordinary shares on a pound for pound basis and ranking pari passu with the ordinary shares in issue at the date of conversion.

15. Transactions involving directors

During the year consultancy fees amounting to £5,276 (1988 - £6,105) were paid to an individual with whom Dr. A.J.B. Winter, a former director is connected.

In addition consultancy fees amounting to £2,304 (1988 - £Nil) were paid to an individual with whom J.J.S. Bain is connected.

16. Commitments under operating leases

As at 31st December 1989, the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1989</u>		<u>1988</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	-	9,551	-	7,786
Within two to five years	-	18,277	-	32,384
After five years	<u>64,809</u>	<u>-</u>	<u>46,085</u>	<u>-</u>
	64,809	27,828	46,085	40,170

17. Capital commitments

As at 31st December 1989 the company had contracted for expenditure amounting to £Nil (1988 - £4,000).

ARCOM CONTROL SYSTEMS LIMITED

Statement of source and application of funds for the year ended 31st December 1989

	<u>1989</u>	<u>1988</u>
	£	£
Profit for the year before taxation	58,434	92,025
Adjustment for items not involving the movement of funds:		
Depreciation	91,629	90,452
Profit on sale of fixed assets	<u>(1,103)</u>	<u>(1,035)</u>
	90,526	89,417
Total generated from operations	148,960	181,442
Funds from other sources		
Loan capital	150,000	-
Disposal of fixed assets	<u>3,200</u>	<u>8,630</u>
	153,200	8,630
	302,160	190,072
Application of funds		
Tax paid	35,180	26,614
Purchase of fixed assets	<u>67,383</u>	<u>112,495</u>
	102,563	139,109
	199,597	50,963
Change in working capital		
Stock	(83,636)	84,622
Debtors	(36,588)	276,792
Creditors	<u>(53,776)</u>	<u>(24,961)</u>
	(174,000)	336,453
Decrease/(increase) in bank overdraft	373,518	(285,695)
Increase in cash at bank and in hand	79	205
	199,597	50,963

The notes on pages 4 to 9 form part of these financial statements

ARCOM CONTROL SYSTEMS LIMITED

Report of the auditors

To the members of Arcom Control Systems Limited

We have audited the financial statements on pages 2 to 10 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Stoy Hayward,
8 Baker Street,
London, W1M 1DA.

16th February 1990