

# **Arcom Control Systems Limited**

1608562

## **Annual report for the year ended 31 December 1996**

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# **Arcom Control Systems Limited**

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## **Directors and advisers**

### **Directors**

J W Poulter (Chairman)  
A J Walters  
J J S Bain  
A M Kirk  
P F Scott      Resigned 12 April 1996

### **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

## **Directors' report for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

### **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 continue to grow profitably.

### **Dividends and transfers to reserves**

An interim dividend of £4.17 per share has been paid. The directors recommend a final dividend payment of £5.83 per share.

### **Research and development**

During the year the company has continued 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 employees become disabled, every effort would be made to retain them and when necessary re-train them for appropriate posts.

## Directors

The directors of the company during the year were:

J W Poulter (Chairman)  
A J Walters  
J J S Bain  
A M Kirk  
P F Scott Resigned 12 April 1996

## 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.

	Fairey Group plc	
	31 December 1996	1 January 1996
	Number 5p ordinary shares	Number 5p ordinary shares
J J S Bain	100,000	110,000
P F Scott	118,400	118,400
A Walters	1,000	1,000

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 1996.

	Fairey Group plc		
	1 January 1996		31 December 1996
	5p ordinary shares	Granted	5p ordinary shares
J J S Bain	8,988	1,000	9,988
A M Kirk	5,960	1,000	6,960
A J Walters	7,000	3,000	10,000

## 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 1996. 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



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.

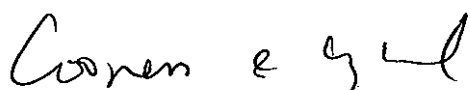
### **Basis of opinion**

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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Chartered Accountants and Registered Auditors**  
London

6 Feb 1997

**Profit and loss account  
for the year ended 31 December 1996**

	Notes	1996 £'000	1995 £'000
Turnover - continuing operations	2	8,764	7,458
Cost of sales - continuing operations		(4,084)	(3,453)
Gross profit		4,680	4,005
Distribution costs - continuing operations		(109)	(92)
Administrative expenses - continuing operations		(3,845)	(3,640)
Operating profit - continuing operations	3	726	273
Interest receivable	6	11	7
Interest payable and similar charges	7	(70)	(91)
Profit on ordinary activities before taxation		667	189
Taxation on profit on ordinary activities	8	(264)	(102)
Profit on ordinary activities after taxation		403	87
Dividends	9	(333)	(91)
Retained profit for the year	16	70	(4)

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.

**Balance sheet  
at 31 December 1996**

	Notes	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Tangible assets	10	418	463
<b>Current assets</b>			
Stocks	11	1,188	1,273
Debtors	12	1,197	1,369
Cash at bank and in hand		141	279
		<u>2,526</u>	<u>2,921</u>
<b>Creditors: amounts falling due within one year</b>	13	1,862	2,406
<b>Net current assets</b>		<u>664</u>	<u>515</u>
<b>Total assets less current liabilities</b>		<u>1,082</u>	<u>978</u>
<b>Provisions for liabilities and charges</b>	14	124	90
<b>Net assets</b>		<u>958</u>	<u>888</u>
<b>Capital and reserves</b>			
Called up share capital	15	33	33
Share premium account	16	305	305
Profit and loss account	16	620	550
<b>Equity shareholders' funds</b>	17	<u>958</u>	<u>888</u>

The financial statements on pages 6 to 14 were approved by the board of directors on 31st January 1997 and were signed on its behalf by:



**J J S Bain  
Director**



## **Notes to the financial statements for the year ended 31 December 1996**

### **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.

**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:

	1996 £'000	1995 £'000
United Kingdom	7,019	6,122
Continental Europe	768	696
Australia	144	172
USA and the rest of the world	833	468
	<u>8,764</u>	<u>7,458</u>

**3 Operating profit**

Operating profit is stated after charging:

	1996 £'000	1995 £'000
Depreciation	217	161
Hire of other assets - operating leases	69	70
Auditors' remuneration - audit services	16	17
Auditors' remuneration - non audit services	2	8
Expenditure on research and development	500	259
	<u></u>	<u></u>

## 4 Employees

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

	1996 Number	1995 Number
Production and distribution	101	87
Other	32	33
	<u>133</u>	<u>120</u>

Staff costs (including directors) consist of:

	1996 £'000	1995 £'000
Wages and salaries	2,324	2,059
Social security	215	204
Other pension costs	48	43
	<u>2,587</u>	<u>2,306</u>

## 5 Directors' emoluments

	1996 £'000	1995 £'000
Remuneration for management services	212	151
Pension costs	16	15
	<u>228</u>	<u>166</u>

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

	1996 £'000	1995 £'000
The chairman	Nil	Nil
The highest paid director	<u>98</u>	<u>63</u>

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

	1996 Number	1995 Number
£0 - £5,000	2	2
£5,001 - £10,000	-	-
£15,001 - £20,000	-	2
£25,001 - £30,000	2	1
£35,001 - £40,000	1	-
	<u>5</u>	<u>5</u>

## 6 Interest receivable

	1996 £'000	1995 £'000
Bank deposits	<u>11</u>	<u>7</u>

## 7 Interest payable and similar charges

	1996 £'000	1995 £'000
Interest on loan from holding company repayable in less than five years	70	91
	<u>==</u>	<u>==</u>

## 8 Tax on profit on ordinary activities

	1996 £'000	1995 £'000
Based on profits for the year		
UK corporation tax at 33% (1995: 33%)	267	101
Adjustment in respect of prior year	(3)	1
	<u>==</u>	<u>==</u>
	264	102
	<u>==</u>	<u>==</u>

There is no unprovided deferred tax liability. At 31 December 1996 there was an unrecognised deferred tax asset of £94,055 (1995: £59,707).

## 9 Dividends and appropriations

	1996 £'000	1995 £'000
Dividends on ordinary shares:		
Interim paid of £4.17 per share (1995: £1.23)	139	41
Final proposed of £5.83 per share (1995: £1.50)	194	50
	<u>==</u>	<u>==</u>
	333	91
	<u>==</u>	<u>==</u>

## 10 Tangible assets

	Short leasehold properties £'000	Fixtures and fittings £'000	Machinery plant and equipment £'000	Motor vehicles £'000	Software £'000	Total £'000
<b>Cost</b>						
At 1 January 1996	124	86	658	78	113	1,059
Additions	-	76	99	-	-	175
Disposals	-	(16)	(17)	(15)	-	(48)
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
At 31 December 1996	124	146	740	63	113	1,186
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
<b>Depreciation</b>						
At 1 January 1996	124	69	315	21	67	596
Provided for the year	-	13	153	17	34	217
Disposals	-	(16)	(16)	(13)	-	(45)
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
At 31 December 1996	124	66	452	25	101	768
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
<b>Net book value</b>						
At 31 December 1996	-	80	288	38	12	418
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
At 31 December 1995	-	17	343	57	46	463
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

## 11 Stocks

	1996 £'000	1995 £'000
Raw materials	283	432
Work in progress	436	565
Finished goods	469	276
	<u>1,188</u>	<u>1,273</u>

## 12 Debtors

	1996 £'000	1995 £'000
Amounts falling due within one year		
Trade debtors	1,142	1,285
Amounts owed by fellow subsidiary undertaking	3	-
Prepayments and accrued income	52	84
	<u>1,197</u>	<u>1,369</u>

## 13 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Trade creditors	949	984
Amounts owed to parent undertaking	4	909
Amounts owed to fellow subsidiary undertakings	-	16
Corporation tax	267	101
Other taxation and social security	205	184
Accruals and deferred income	243	162
Dividend payable	194	50
	<u>1,862</u>	<u>2,406</u>

## 14 Provisions for liabilities and charges

	Warranty provisions	
	1996 £'000	1995 £'000
As at 1 January	90	-
Profit and loss account	34	90
As at 31 December	<u>124</u>	<u>90</u>

## 15 Called-up share capital

	1996 £'000	1995 £'000
Authorised		
65,000 ordinary shares of £1 each	65	65
	=	=
Allotted, called up and fully paid		
33,333 ordinary shares of £1 each	33	33
	=	=

## 16 Reserves

	Profit and loss account £'000	Share premium account £'000
At 1 January 1996	550	305
Retained profit for the year	70	-
	=	=
At 31 December 1996	620	305
	=	=

## 17 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	403	87
Dividends	(333)	(91)
	=	=
Net (decrease)/increase in shareholders' funds	70	(4)
Opening shareholders' funds	888	892
	=	=
Closing shareholders' funds	958	888
	=	=

## 18 Commitments under operating leases

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Operating leases which expire:				
Within one year	-	4	28	12
In two to five years	-	30	-	7
After five years	138	-	81	-
	=	=	=	=
	138	34	109	19
	=	=	=	=

**19 Related party transaction**

During the year consultancy fees amounting to £3,831 (1995: £2,350) were paid to an individual with whom JJS Bain is connected.

**20 Contingent liabilities**

With other members of the Group, the company has guaranteed facilities made available to Fairey Group plc, in respect of which the following amounts were outstanding at 31 December 1996:

Senior Loan Notes	\$100,000,000	(1995: Nil)
Lloyds Bank Plc	£ 15,000,000	(1995: \$20,000,000)
National Westminster Bank PLC	£ 12,000,000	(1995: \$15,000,000)
National Westminster Bank PLC	£ 2,086,000	(1995: £4,241,000)

**21 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.