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ARCOM CONTROL SYSTEMS LIMITED

Year ended

31st December 1990

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ARGON CONTROL SYSTEMS LIMITED

Annual report and financial statements for the year ended 31st December 1990

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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.

Company number

1608562

Auditors

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

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ARCON CONTROL SYSTEMS LIMITED

Report of the directors for the year ended 31st December 1990

The directors submit their report together with the audited financial statements for the year ended 31st December 1990.

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 financial statements.

Directors

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

	Ordinary shares of £1 each	
	1990	1989
J.W. Poulter	-	-
P. Cuthbert	4,104	3,531
J.J.S. Bain	4,104	3,531
D.J. Kingsbury	296	296
A.T. Nicol	4,104	4,677
P.F. Scott	4,104	4,677

Auditors

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

By order of the board

J.J.S. Bain



Secretary

19th February 1991

ARCOM CONTROL SYSTEMS LIMITED

Profit and loss account for the year ended 31st December 1990

	<u>Note</u>	<u>1990</u> £	<u>1989</u> £
Turnover	2	3,231,577	2,512,782
Cost of sales		1,313,307	1,052,649
Gross profit		1,918,270	1,460,133
Distribution costs	79,613		72,821
Administrative expenses	<u>1,603,505</u>	<u>1,683,118</u>	<u>1,238,765</u>
Operating profit	4	235,152	148,547
Interest receivable		136	-
Interest payable	5	46,730	66,495
Profit on ordinary activities before taxation		188,558	82,052
Tax on profits from ordinary activities	6	61,620	33,949
Profit on ordinary activities after taxation		126,938	48,103
Extraordinary charge	7	-	13,550
Profit for the year		126,938	34,553
Retained profit brought forward		160,572	126,019
Retained profit carried forward		287,510	160,572

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

ARCON CONTROL SYSTEMS LIMITED

Balance sheet at 31st December 1990

	<u>Note</u>	<u>1990</u>	<u>1989</u>
		£	£
Fixed assets			
Tangible assets	8	112,119	156,218
Current assets			
Stocks	9	264,351	222,526
Debtors	10	703,465	468,854
Cash at bank and in hand		<u>291</u>	<u>500</u>
		968,107	691,880
Creditors:			
Amounts falling due within one year	11	<u>557,646</u>	<u>436,096</u>
Net current assets		410,461	255,784
Total assets less current liabilities		522,580	412,002
Creditors:			
Amounts falling due after more than one year	12	137,500	153,860
		<u>385,080</u>	<u>258,142</u>
Capital and reserves			
Called up share capital	14	29,583	29,583
Share premium account		67,987	67,987
Profit and loss account		297,510	160,572
		<u>385,080</u>	<u>258,142</u>

The accounts were approved by the Board on 19th February 1991

J.W. Poulter

) Directors

V.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 1990

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. Cost comprises the cost of raw materials only.

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 liability or asset 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

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. 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.

ARCON CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1990
(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>1990</u> £	<u>1989</u> £
United Kingdom	2,893,662	2,339,672
Europe	255,400	129,908
Australia	73,890	39,795
United States of America	5,402	3,407
Rest of world	<u>3,223</u>	<u>-</u>
	<u>3,231,577</u>	<u>2,512,782</u>

3. Employees

Staff costs (including directors' emoluments) consist of:

Wages and salaries	904,251	686,631
Social security costs	88,305	70,160
Other pension costs	<u>29,319</u>	<u>28,796</u>
	<u>1,021,875</u>	<u>785,587</u>

There were no employees (other than directors) whose remuneration exceeded £30,000 (1989 - None).

The average number of employees during the year was 70 (1989 - 61).

Directors' emoluments

	<u>1990</u> £	<u>1989</u> £
Management remuneration	<u>142,134</u>	<u>134,996</u>

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

	<u>1990</u> £	<u>1989</u> £
Chairman	-	-
Highest paid director	<u>39,958</u>	<u>30,017</u>

ARCON CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1990
(Continued)

3. Employees (Continued)

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

	1990 Number	1989 Number
£0 - £5,000		
£25,001 - £30,000	2	2
£35,001 - £40,000	-	3
	2	-

4. Profit on ordinary operations

This is arrived at after charging/(crediting):

Depreciation	90,581	91,629
Hire of plant and machinery		
- operating leases	42,506	46,141
Auditors' remuneration	13,860	11,360
Profit of disposal of fixed assets	(2,600)	(1,103)

5. Interest payable

Bank overdraft and loans repayable within 5 years	42,552	59,286
Hire purchase and lease commitments	3,884	7,166
Other interest	294	43
	46,730	66,495

6. Taxation

U.K. corporation tax at 28% (1989 - 35%) based on profit for the year	63,950	32,012
(Over)/underprovision in previous year	(2,330)	1,937
	61,620	33,949

7. Extraordinary charge

Cost of raising finance and reconstruction	-	21,681
Taxation credit	-	(8,131)
	-	13,550

ARCON CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1990
(Continued)

8. Tangible assets

	Short leasehold properties £	Fixtures and fittings £	Plant, machinery and equipment £	Motor vehicles £	Total £
Cost					
At beginning of year	15,000	90,689	322,059	31,476	459,224
Additions	-	4,436	42,046	-	46,482
Disposals	-	-	-	(12,485)	(12,485)
At end of year	15,000	95,125	364,105	18,991	493,221
Depreciation					
At beginning of year	1,788	57,347	218,645	25,226	303,006
Provided for the year	750	18,384	65,197	6,250	90,581
Eliminated on disposals	-	-	-	(12,485)	(12,485)
At end of year	2,538	75,731	283,842	18,991	381,102
Net book value					
At 31st December 1990	12,462	19,394	80,263	-	112,119
At 31st December 1989	13,212	33,342	103,414	6,250	156,218

The net book value of assets held under hire purchase contracts and finance leases is £13,421 (1989 - £37,477). Depreciation charged on these assets during the year was £24,057 (1989 - £27,183).

9. Stocks

	1990 £	1989 £
Raw materials	139,306	115,054
Work in progress	27,687	35,525
Finished goods	82,330	53,810
Prepaid licences	15,028	18,137
	264,351	222,526

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

ARCON CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1990
(Continued)

10. Debtors

	<u>1990</u> £	<u>1989</u> £
Trade debtors	662,876	439,446
Prepayments and accrued income	<u>40,589</u>	<u>29,408</u>
	703,465	468,854
	<u> </u>	<u> </u>

These amounts are all due within one year.

11. Creditors: Amounts falling due within one year

Bank overdraft	61,333	62,760
Loan from related company	12,500	-
Trade creditors	292,085	216,715
Corporation tax	64,348	23,881
Taxation and social security	71,067	60,760
Accruals	56,313	51,388
Obligations under hire purchase contracts and finance leases	<u>-</u>	<u>20,592</u>
	557,646	436,096
	<u> </u>	<u> </u>

The bank overdraft is secured by a fixed and floating charge over the assets of the company. The loan from a related company (Fairway Group plc) is secured by a fixed and floating charge (subordinated to the bank security) and bears interest at 2.5% over LIBOR. Interest is payable quarterly in arrears.

12. Creditors: Amounts falling due after more than one year

	<u>1990</u> £	<u>1989</u> £
Loan from related company	137,500	150,000
Obligations under hire purchase contracts and finance leases	<u>-</u>	<u>3,860</u>
	137,500	153,860
	<u> </u>	<u> </u>

The loan is secured by a fixed and floating charge (subordinated to the bank security see 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	12,500
Within 1 - 2 years	100,000
Within 5 years	<u>37,500</u>
	150,000
	<u> </u>

ARCON CONTROL SYSTEMS LIMITED

Notes forming part of the financial statements for the year ended 31st December 1990
(Continued)

12. Creditors: Amounts falling due after more than one year (Continued)

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

Deferred taxation has not been provided on timing differences between the accounting and tax treatments on certain items which give rise to an asset.

14. Share capital

	<u>1990</u> £	<u>1989</u> £
Authorised, Ordinary shares of £1 each	65,000	65,000
Issued and fully paid Ordinary shares of £1 each	<u>29,583</u>	<u>29,583</u>

15. Transactions involving the directors

During the year consultancy fees amounting to £31,945 (1989 - £5,276) were paid to a company with which Dr A.J.B. Winter, a former director is connected.

In addition consultancy fees amounting to £3,408 (1989 - £2,304) were paid to an individual with whom J.J.S. Bain is connected.

16. Commitments under operating leases

As at 31st December 1990, the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1990</u>		<u>1989</u>	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	18,259	-	9,551
Within two to five years	-	34,959	-	18,277
After five years	<u>64,809</u>	<u>-</u>	<u>64,809</u>	<u>-</u>
	64,809	53,218	64,809	27,828

ANCON CONTROL SYSTEMS LIMITED

Statement of source and application of funds for the year ended 31st December 1990

	<u>1990</u>	<u>1989</u>
	£	£
Source of funds		
Profit before taxation	188,558	58,434
Adjustment for items not involving the movement of funds:		
Depreciation	90,581	91,629
Profit on sale of fixed assets	<u>(2,600)</u>	<u>(1,103)</u>
	87,981	90,526
Total generated from operations	276,539	148,960
Funds from other sources		
Loan capital	-	150,000
Disposal of fixed assets	<u>2,600</u>	<u>3,200</u>
	2,600	153,200
	279,139	302,160
Application of funds		
Tax paid	21,153	35,180
Purchase of fixed assets	<u>46,482</u>	<u>67,383</u>
	67,635	102,563
	211,504	199,597
Change in working capital		
Stock	41,825	(83,636)
Debtors	234,611	(36,588)
Creditors	<u>(66,150)</u>	<u>(53,776)</u>
	210,286	(174,000)
Decrease in bank overdraft	1,427	373,518
(Decrease)/increase in cash at bank and in hand	(209)	79
	211,504	199,597

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

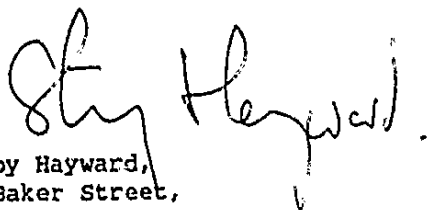
ARCOM CONTROL SYSTEMS LIMITED

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 1990 and of the 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.

19th February 1991