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Company Registration No. 1699180 (England and Wales)

CYGNUS INSTRUMENTS LIMITED

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2003**



CYGNUS INSTRUMENTS LIMITED

CONTENTS

	Page
Company information	1
Directors' report	2 - 3
Independent auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 11

CYGNUS INSTRUMENTS LIMITED

COMPANY INFORMATION

Directors	D L Cartwright P J Meech
Secretary	D L Cartwright
Company number	1699180
Registered office	30 Prince of Wales Road Dorchester Dorset DT1 1PW
Auditors	Kennedy Legg Stafford House 10 Prince of Wales Road Dorchester Dorset DT1 1PW
Business address	30 Prince of Wales Road Dorchester Dorset DT1 1PW
Bankers	Lloyds TSB Plc 1 High West Street Dorchester Dorset DT1 1UG

CYGNUS INSTRUMENTS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities

The principal activity of the company continued to be that of manufacturing and sale of ultrasonic thickness gauges and other instruments.

Directors

The following directors have held office since 1 January 2003:

D L Cartwright
P J Meech

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2003	1 January 2003
D L Cartwright	12,000	12,000
P J Meech	-	-

Charitable contributions

The company made the following charitable donations during the year £280 (2002- £360).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Kennedy Legg be reappointed as auditors of the company will be put to the Annual General Meeting.

CYGNUS INSTRUMENTS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



Q L Cartwright
Director

9 July 2004

CYGNUS INSTRUMENTS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CYGNUS INSTRUMENTS LIMITED

We have audited the financial statements of Cygnus Instruments Limited on pages 5 to 11 for the year ended 31 December 2003. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kennedy Legg
Accountants and Registered Auditors

Dorchester

9 July 2004

CYGNUS INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	904,890	849,257
Cost of sales		(346,265)	(282,198)
Gross profit		558,625	567,059
Distribution costs		(149,344)	(138,237)
Administrative expenses		(422,253)	(393,342)
Operating (loss)/profit	3	(12,972)	35,480
Other interest receivable and similar income	4	1,925	361
Interest payable and similar charges		-	(585)
(Loss)/profit on ordinary activities before taxation		(11,047)	35,256
Tax on (loss)/profit on ordinary activities	5	303	(14,463)
(Loss)/profit on ordinary activities after taxation	12	(10,744)	20,793

CYGNUS INSTRUMENTS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2003

	Notes	2003 £	£	2002 £	£
Fixed assets					
Tangible assets	6		77,218		70,845
Current assets					
Stocks		127,248		119,894	
Debtors	7	185,632		273,293	
Cash at bank and in hand		335,145		197,372	
		<u>648,025</u>		<u>590,559</u>	
Creditors: amounts falling due within one year	8	<u>(434,009)</u>		<u>(359,373)</u>	
Net current assets			214,016		231,186
Total assets less current liabilities			291,234		302,031
Provisions for liabilities and charges	9		(7,535)		(7,588)
			<u>283,699</u>		<u>294,443</u>
Capital and reserves					
Called up share capital	11		80,000		80,000
Profit and loss account	12		203,699		214,443
Shareholders' funds			<u>283,699</u>		<u>294,443</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 9 July 2004




P J Meech
Director

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Machinery, small tools & equipment	20% on reducing balance
Office equipment, fixtures & fittings	20% on reducing balance
Motor vehicles	25% on reducing balance

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or the future taxable profits. Deferred taxation is measured on a non-discounted basis at the average tax rates that would apply when the timing differences are expected to reverse, based on the tax rates and laws that have been enacted by the balance sheet date.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

2 Turnover

In the year to 31 December 2003 72.90% (2002- 71.20%) of the company's turnover was to markets outside the United Kingdom.

3	Operating (loss)/profit	2003 £	2002 £
	Operating (loss)/profit is stated after charging:		
	Depreciation of tangible assets	20,897	19,051
	Auditors' remuneration	4,325	4,232
	Directors' emoluments	123,556	131,565

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2002- 1).

4	Investment income	2003 £	2002 £
	Bank interest	1,925	361

5	Taxation	2003 £	2002 £
	Domestic current year tax		
	U.K. corporation tax	-	6,875
	Adjustment for prior years	(250)	-
	Current tax charge	(250)	6,875
	Deferred tax		
	Deferred tax charge/credit current year	(53)	7,588
		(303)	14,463

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

6 Tangible fixed assets

	Machinery, small tools & equipment	Office equipment, fixtures & fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2003	196,653	74,550	39,897	311,100
Additions	17,887	-	30,550	48,437
Disposals	-	-	(31,251)	(31,251)
At 31 December 2003	214,540	74,550	39,196	328,286
Depreciation				
At 1 January 2003	147,576	68,846	23,833	240,255
On disposals	-	-	(10,084)	(10,084)
Charge for the year	13,393	1,141	6,363	20,897
At 31 December 2003	160,969	69,987	20,112	251,068
Net book value				
At 31 December 2003	53,571	4,563	19,084	77,218
At 31 December 2002	49,077	5,704	16,064	70,845

7 Debtors

	2003	2002
	£	£
Trade debtors	171,667	250,945
Other debtors	13,965	22,348
	185,632	273,293

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

8	Creditors: amounts falling due within one year	2003 £	2002 £
	Trade creditors	148,429	98,270
	Amounts owed to group undertakings and undertakings in which the company has a participating interest	157,222	125,156
	Taxation and social security	19,947	25,390
	Other creditors	108,411	110,557
		<u>434,009</u>	<u>359,373</u>

The company is party to an agreement with the bank which, if circumstances require, provides a reciprocal right of set off between itself, Surtest Limited and Surtest Marine Limited. In addition, there are unlimited cross guarantees in force between the company and Surtest Marine Limited.

The bank also holds mortgages secured on life insurance policies written on the lives of the directors.

9 Provisions for liabilities and charges

	Deferred taxation £
Balance at 1 January 2003	7,588
Profit and loss account	(53)
Balance at 31 December 2003	<u>7,535</u>

Deferred taxation provided in the financial statements is as follows:

	2003 £	2002 £
Accelerated capital allowances	<u>7,535</u>	<u>7,588</u>

10 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £23,573 (2002- £19,583). Contributions totalling £1,601 (2002- £1,549) were payable to the fund at the year end and are included in creditors.

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

11	Share capital	2003 £	2002 £
	Authorised		
	250,000 Ordinary shares of £1 each	250,000	250,000
	Allotted, called up and fully paid		
	80,000 Ordinary shares of £1 each	80,000	80,000

12 Statement of movements on profit and loss account

Profit and loss account

	£
Balance at 1 January 2003	214,443
Retained loss for the year	(10,744)
Balance at 31 December 2003	203,699

13 Financial commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as follows:

	2003 £	2002 £
Expiry date:		
Within one year	1,391	1,391
Between two and five years	2,092	2,092
	3,483	3,483

14 Control

The company was controlled through out the current and previous year by Surtest Marine Limited, who own 85% of the company's ordinary share capital.

15 Related party transactions

Surtest Marine Limited

During the year the company administered and subsequently recharged, income £464,799 (2002 - £300,914) and expenditure £425,603 (2002 - £328,951).

The net amount due to Surtest Marine Limited at the year end was £157,222 (2002 - £125,156).