

REGISTRAR'S COPY

CYGNUS INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 1996



KENNEDY LEGG

ACCOUNTANTS AND REGISTERED AUDITORS

DORCHESTER

CYGNUS INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

for the year ended 31st December 1996

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CYGNUS INSTRUMENTS LIMITED

COMPANY INFORMATION

31st December 1996

DIRECTORS

D L Cartwright
P J Meech
Mrs P Fagg

SECRETARY

D L Cartwright

REGISTERED OFFICE

Cygnus House
30 Prince of Wales Road
Dorchester
Dorset DT1 1PW

BANKERS

Lloyds Bank PLC
38 Blue Boar Row
Salisbury
Wilts SP1 1DB

SOLICITORS

Wilsons
93 Crane Street
Salisbury
Wiltshire SP1 2PZ

AUDITORS

Kennedy Legg
Stafford House
10 Prince of Wales Road
Dorchester
Dorset DT1 1PW

DIRECTORS' REPORT

31st December 1996

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

Principal activity

The principal activity of the company is the manufacture and sale of ultrasonic thickness gauges and other instruments.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows:

	31st December 1996 Ordinary shares	1st January 1996 Ordinary shares
D L Cartwright	12,000	12,000
P J Meech	-	-
Mrs P Fagg	-	-

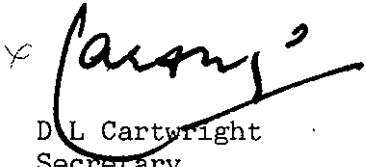
Auditors

Kennedy Legg have expressed a willingness to continue in office. A resolution proposing their reappointment will be placed before the Annual General Meeting.

Small company exemptions

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

On behalf of the board


D L Cartwright
Secretary

Cygnus House
30 Prince of Wales Road
Dorchester
Dorset DT1 1PW

15th October 1997

CYGNUS INSTRUMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law 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 we are required to:

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

We are also responsible for:

- keeping proper accounting records;
- safeguarding the company's assets;
- taking reasonable steps for the prevention and detection of fraud.

On behalf of the board


D. L. Cartwright
Director

15th October 1997

CYGNUS INSTRUMENTS LIMITED

AUDITORS' REPORT

Auditors' report to the members of
Cygnus Instruments Limited

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3, 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.

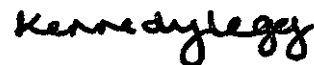
Basis of opinion

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 error or other irregularity. 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 31st December 1996 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.



Kennedy Legg
Registered Auditors
Dorchester

15th October 1997

CYGNUS INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1996

	Note	1996 £	1995 £
Turnover	2	782,089	860,140
Cost of sales		(292,634)	(316,180)
Gross profit		489,455	543,960
Net operating expenses			
Distribution costs		(131,337)	(123,275)
Administrative expenses		(390,569)	(404,113)
Other operating income		7,883	14,557
Operating (loss)/profit	3	(24,568)	31,129
Interest payable	5	(2,979)	(2,840)
(Loss)/profit on ordinary activities before taxation		(27,547)	28,289
Taxation	6	4,821	(8,828)
Profit on ordinary activities after taxation			
retained for the year	14	(22,726)	19,461

Movements in reserves are shown in note 14.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1996 or 1995 other than the (loss)/profit for the year.

CYGNUS INSTRUMENTS LIMITED


BALANCE SHEET

at 31st December 1996

	Note	£	1996 £	£	1995 £
Fixed assets					
Tangible assets	7		95,815		104,216
Current assets					
Stocks	8	76,445		77,325	
Debtors	9	307,577		268,167	
Cash at bank and in hand		158,580		227,235	
			<u>542,602</u>	<u>572,727</u>	
Creditors: amounts falling due within one year	10	(268,795)		(284,595)	
Net current assets			<u>273,807</u>		<u>288,132</u>
Total assets less current liabilities			<u>369,622</u>		<u>392,348</u>
Capital and reserves					
Called up share capital	13	80,000		80,000	
Profit and loss account	14	289,622		312,348	
Total shareholders' funds	12		<u>369,622</u>		<u>392,348</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements on pages 5 to 12 were approved by the board of directors on 15th October 1997 and signed on their behalf by:


 P J Meech
 Director

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

1 Accounting policies**Basis of accounting**

The financial statements have been prepared under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No. 1 on the grounds that it is entitled to the exemptions available in Section 246 to 247 of the Companies Act 1985 for small companies.

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Machinery small tools and equipment	20% reducing balance
Motor vehicles	25% reducing balance
Office equipment fixtures and fittings	20% reducing balance

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. The cost of work in progress and finished goods includes all production overheads and depreciation and the attributable proportion of indirect overheads based on the normal level of activity. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Foreign currencies

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

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2 Turnover

In the opinion of the directors, 66% of the turnover of the company is attributable to geographical markets outside the UK. (1995 69%)

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

3 Operating (loss)/profit

	1996 £	1995 £
Operating (loss)/profit is stated after crediting		
Interest receivable	7,883	14,557
Profit on foreign exchange	724	-
Profit on sale of assets	-	1,098
Bad debts recovered	5,757	-
	<u> </u>	<u> </u>
and after charging		
Auditors' remuneration	7,950	7,800
Operating leases - Rent	9,750	9,600
Loss on sale of assets	450	-
Loss on foreign exchange	-	13,072
Research and development expenditure	7,958	6,269
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 7)		
owned assets	26,359	28,662
	<u> </u>	<u> </u>

4 Directors

	1996 £	1995 £
Directors' emoluments	166,405	132,701
	<u> </u>	<u> </u>

5 Interest payable

	1996 £	1995 £
Interest payable	2,979	2,840
	<u> </u>	<u> </u>

6 Taxation

	1996 £	1995 £
Corporation tax on loss on ordinary activities at 24% (1995 25%)	(4,571)	8,828
Over provision in earlier years	(250)	-
	<u>(4,821)</u>	<u>8,828</u>

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

7 Tangible fixed assets

Cost	Motor Vehicles £	Office Equipment Fixtures and Fittings £	Machinery Small Tools and Equipment £	Total £
1st January 1996	53,551	65,900	121,088	240,539
Additions	11,979	2,600	8,179	22,758
Disposals	(15,648)	-	-	(15,648)
31st December 1996	<u>49,882</u>	<u>68,500</u>	<u>129,267</u>	<u>247,649</u>
Depreciation				
1st January 1996	22,263	48,165	65,895	136,323
Charge for year	9,618	4,067	12,674	26,359
Disposals	(10,848)	-	-	(10,848)
31st December 1996	<u>21,033</u>	<u>52,232</u>	<u>78,569</u>	<u>151,834</u>
Net book amount				
31st December 1996	<u>28,849</u>	<u>16,268</u>	<u>50,698</u>	<u>95,815</u>
1st January 1996	<u>31,288</u>	<u>17,735</u>	<u>55,193</u>	<u>104,216</u>

8 Stocks

	1996 £	1995 £
Stocks	<u>76,445</u>	<u>77,325</u>

9 Debtors

	1996 £	1995 £
Amounts falling due within one year		
Trade debtors	277,791	236,019
Other debtors	29,786	32,148
	<u>307,577</u>	<u>268,167</u>

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

10 Creditors: amounts falling due within one year

	1996 £	1995 £
Bank overdraft	77,925	37,071
Trade creditors	72,238	76,232
Amounts owed to group undertakings and undertakings in which the company has a participating interest	40,722	83,540
Other creditors	77,910	87,752
	<u>268,795</u>	<u>284,595</u>

The company is a 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 cross guarantees in force between the company, Surtest Limited and Surtest Marine Limited.

11 Deferred taxation

	1996 Potential liability £	1996 Provision made £	1995 Potential liability £	1995 Provision made £
Corporation tax deferred by Capital allowances	<u>3,729</u>	<u>-</u>	<u>3,745</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 24% (1995 25%).

12 Reconciliation of movements in shareholders' funds

	1996 £	1995 £
(Loss)/profit for the financial year representing a Net (subtraction from)/addition to shareholders' funds	(22,726)	19,461
Opening shareholders' funds	<u>392,348</u>	<u>372,887</u>
Closing shareholders' funds	<u>369,622</u>	<u>392,348</u>

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

13 Called up share capital

	1996		1995	
	Number of shares	£	Number of shares	£
Authorised				
Ordinary £1 shares	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Allotted called up and fully paid				
Ordinary £1 shares	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>

14 Profit and loss account

	1996 £
1st January 1996	312,348
Retained loss for the year	<u>(22,726)</u>
31st December 1996	<u>289,622</u>

15 Post balance sheet events

There were no material post balance sheet events which affect these financial statements.

16 Contingent liabilities

There were no contingencies at 31st December 1996.

17 Financial commitments

Pension commitments

The company operates a contributory pension scheme covering certain employees, and a non-contributory pension scheme covering all the directors. The assets of the schemes are held in separate trustee administered funds and contributions are charged to the profit and loss account.

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31st December 1996

18 Capital commitments

There were no capital commitments at 31st December 1996.

19 Controlling interest

The company was controlled throughout the current and previous period by Surtest Marine Limited, by virtue of its 85% holding of the ordinary shares of the company.

20 Related party transactions

The company has administered, and subsequently recharged, income and expenditure incurred by Surtest Marine Limited. During the year the following transactions were recharged:

	£
Turnover	(200,218)
Purchases	177,168
Overheads - Rates	1,661
Light and heat	876
Insurance	3,223
Administrative salaries	9,967
Motor expenses	1,646
Auditors remuneration	2,000
Posatge	1,148
Stationery	2,370
Telephone	2,673
Subscriptions	1,562
Legal fees	26
	<hr/>
	27,162
Mortgage payments	17,477
Corporation tax	4,005
Tax on mortgage interest	24,647
Value added tax	2,688
Management charge to Surtest Marine Limited	(10,750)
Net amount due to Surtest Marine Limited at the year end	(40,722)