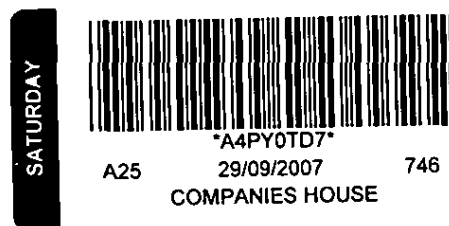


Company Registration No 1699180

CYGNUS INSTRUMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2006



REPORT AND FINANCIAL STATEMENTS 2006

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REPORT AND FINANCIAL STATEMENTS 2006

OFFICERS

DIRECTORS

L Crosthwaite-Eyre
M Dyer Bartlett
T Harold
G Haines

SECRETARY

T Harold

REGISTERED OFFICE

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

BANKERS

Lloyds TSB Bank plc
1 High West Street
Dorchester
DT1 1UG

DIRECTORS' REPORT

The directors present their annual report and the financial statements for the year ended 31 December 2006

ACTIVITY

The company's principal activity during the year was the manufacture and sale of ultrasonic thickness gauges and other instruments

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company continues to develop, manufacture and sell ultrasonic thickness gauges. In addition, the company has started to distribute general non-destructive testing equipment. Turnover increased by 14% to £1,203,747 (year ended 31 December 2005 £1,052,045). The profit before tax for the financial year was £136,413 compared with a profit of £127,759 in 2005.

DIVIDENDS

The directors do not recommend the payment of a dividend

DIRECTORS AND THEIR INTERESTS

The directors who served during the year are listed below. Details of directors' interests in the shares of the company are disclosed below.

	Ordinary £1 shares held at 1 January 2006	Ordinary £1 shares held at 31 December 2006
M Dyer Bartlett	-	-
L Crosthwaite-Eyre	-	-
T Harold	-	-
G Haines (appointed 3 May 2006)	-	-
K Vickers (appointed 3 May 2006 resigned 31 December 2006)	-	-
P Meech (resigned 28 April 2006)	-	-
D Cartwright (resigned 1 July 2006)	12,000	12,000

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

DIRECTORS' REPORT

AUDITORS

The Board is of the opinion that an audit is not required for the year ended 31 December 2006

CHARITABLE CONTRIBUTIONS

During the year the company made charitable contributions of £nil (2005 - £170)

Approved by the Board of Directors
and signed on behalf of the Board



T C Harold

Secretary

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2006

	Note	Year ended 31 December 2006 £	Year ended 31 December 2005 £
TURNOVER	2	1 203 747	1,052,045
Cost of sales		<u>(333,911)</u>	<u>(285 516)</u>
Gross profit		869,836	766,529
Distribution costs		<u>(6,097)</u>	<u>(6,182)</u>
Administrative expenses		<u>(740,166)</u>	<u>(637,916)</u>
OPERATING PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	4	123,573	122,431
Interest receivable and similar income	5	<u>12,840</u>	<u>5,328</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		136,413	127,759
Tax on profit on ordinary activities	6	<u>(27,522)</u>	<u>(25,386)</u>
PROFIT FOR THE FINANCIAL YEAR	12	<u><u>108,891</u></u>	<u><u>102,373</u></u>

95% sales (£1,144,835) derive from continuing operations 5% sales (£58,912) were generated by the new distribution business of general non-destructive testing equipment

There are no recognised gains and losses other than the profit for the current and preceding financial year Accordingly no statement of total recognised gains and losses is given

BALANCE SHEET
31 December 2006

	Note	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	68 736	78,196
		<u>68 736</u>	<u>78,196</u>
CURRENT ASSETS			
Stocks		161,962	164,878
Debtors			
Due within one year	8	163 584	192,785
Cash at bank and in hand		439,211	276,879
		<u>764,757</u>	<u>634,542</u>
CREDITORS amounts falling due within one year	9	(249,092)	(235,440)
		<u>515,665</u>	<u>399,102</u>
NET CURRENT ASSETS			
TOTAL ASSETS LESS CURRENT LIABILITIES		584 401	477,298
Provisions for liabilities and charges	10	(4,818)	(6,606)
		<u>579,583</u>	<u>470,692</u>
NET ASSETS			
CAPITAL AND RESERVES			
Called up share capital	11	80,000	80,000
Profit and loss account	12	499,583	390,692
		<u>579 583</u>	<u>470,692</u>
EQUITY SHAREHOLDERS' FUNDS	12		

In preparing these financial statements the Directors confirm that

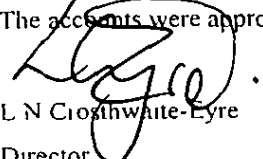
For the year ended 31 December 2006 they have taken and were entitled to take advantage of the audit exemption conferred by section 249A (1) of the Companies Act 1985 ('the Act'),

No members have required the Company to obtain an audit under section 249B (2) of the Act in relation to the accounts for the year ended 31 December 2006,

Where advantage has been taken of certain of the exemptions conferred by section A of Part III of the Act, Cygnus Instruments Limited is entitled to those exemptions on the grounds that it qualifies as a small company and

The Directors acknowledge their responsibilities under sections 226 and 221 of the Act for ensuring the Company keeps proper accounting records and for preparing accounts which give a true and fair view of the state of affairs of the Company and which otherwise comply with the requirements of the Act, so far as they are applicable to the Company

The accounts were approved by the Board of Directors on 3rd August 2007 and are signed on their behalf by


L N Crosthwaite-Eyre
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

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).

Turnover

Turnover represents amounts receivable for goods and services, excluding value added tax.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, over their estimated useful lives as follows:

Plant and machinery	20% reducing balance basis
Office equipment	20% reducing balance and 33% straight line basis
Motor vehicles	25% reducing balance basis

Residual value is calculated on prices prevailing at the date of acquisition.

Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the profit and loss account.

Stock

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete and slow moving items as appropriate.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2006**

1. ACCOUNTING POLICIES (continued)

Pensions

The company operates a defined contribution group personal pension plan and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year in accordance with FRS 17

Research and development

Research and development expenditure is written off as incurred

2. TURNOVER

Turnover by destination is as follows:

	Year to 31 December 2006 £	Year to 31 December 2005 £
United Kingdom	298,986	323,448
Outside United Kingdom	904,761	728,597
	<u>1,203,747</u>	<u>1,052,045</u>

All turnover is from the company's principal activity and originates from within the United Kingdom

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year to 31 December 2006 £	Year to 31 December 2005 £
Directors' remuneration		
Emoluments	101,390	137,560
Pension contributions	4,548	6,395
	<u>105,938</u>	<u>143,955</u>

Three directors (2005 - one) were members of the company pension scheme. No director (2005 - one) was a member of a money purchase pension scheme.

	No	No
Average number of persons employed by the company in the year:		
Selling and administration	7	6
Technical	3	4
Directors	3	3
	<u>13</u>	<u>13</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	Year to 31 December 2006 £	Year to 31 December 2005 £
Staff costs incurred during the year in respect of these employees were		
Wages and salaries	349,046	349,486
Social security costs	44,974	32,937
Pension costs	10,409	13,930
	<u>404,429</u>	<u>396,353</u>

4 OPERATING PROFIT

	Year to 31 December 2006 £	Year to 31 December 2005 £
Operating profit is after charging		
Depreciation of tangible fixed assets	30,565	21,599
Owned assets	96	-
Loss on sale of fixed assets	<u>-</u>	<u>-</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	Year to 31 December 2006 £	Year to 31 December 2005 £
Bank interest received	12,840	4,857
Interest received	-	471
	<u>12,840</u>	<u>5,328</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

6 TAX ON LOSS ON ORDINARY ACTIVITIES

	Year to 31 December 2006 £	Year to 31 December 2005 £
United Kingdom taxation – deferred	45 (27,567)	- (25,386)
United Kingdom corporation tax - current	(27,522)	(25,386)

The tax assessed for the year differs from that resulting from applying the standard rate of corporation tax in the UK of 30% (2004 - 30%) The differences are explained below

	Year to 31 December 2006 £	Year to 31 December 2005 £
Profit on ordinary activities before taxation	136,413	127,759
Tax at 19% thereon	(25,918)	(24,274)
Effects of	-	(388)
Expenses not deductible for tax purposes	(1,604)	(724)
Capital allowances in excess /(deficit) of depreciation	-	-
Carry forward of tax losses	-	-
Tax losses surrendered as group relief not paid for	(27,522)	(25,386)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

7. TANGIBLE FIXED ASSETS

	Fixtures and Fittings £	Plant and machinery £	Office equipment £	Motor Vehicles £	Total £
Cost					
At 1 January 2006	-	227,115	82,717	51,350	361,182
Additions	12,145	225	8,639	-	21,009
Disposals	-	-	-	(13,404)	(13,404)
At 31 December 2006	12,145	227,340	91,356	37,946	368,787
Depreciation					
At 1 January 2006	-	186,165	72,100	24,721	282,986
Charge for the year	1,200	12,000	2,640	14,725	30,565
Disposals	-	-	-	(13,500)	(13,500)
At 31 December 2006	1,200	198,165	74,740	25,946	300,051
Net book value					
At 31 December 2006	10,945	29,175	16,616	12,000	68,736
At 31 December 2005	-	40,950	10,617	26,629	78,196

8. DEBTORS

	2006 £	2005 £
Debtors due within one year		
Trade debtors	140,276	176,498
Value added tax	22,204	9,665
Other debtors	1,104	6,622
	163,584	192,785

9. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade creditors	52,303	43,244
Taxation and social security	37,285	8,962
Accruals and deferred income	91,098	145,882
Amounts owed to parent company	68,406	37,352
	249,092	235,440

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2006

10 PROVISIONS FOR LIABILITIES AND CHARGES

	2006 £	2005 £
Deferred taxation (accelerated capital allowances)	4,818	6,606
	<u>4,818</u>	<u>6,606</u>

All mortgages and charges over the company's assets were released on 22 March 2007

11 CALLED UP SHARE CAPITAL

	2006 £	2005 £
Authorised 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
Called up, allotted and fully paid 80,000 ordinary shares of £1 each	<u>80,000</u>	<u>80,000</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

	Called up share capital £	Profit and loss account £	Total £
Balance at 1 January 2006	80,000	390,692	470,692
Profit for the year	-	108,891	108,891
Balance at 31 December 2006	<u>80,000</u>	<u>499,583</u>	<u>579,583</u>

13. FINANCIAL COMMITMENTS

There were no annual commitments under non-cancellable operating leases in 2006 (2005 none)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2006

14 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 £10,409 (2005 - £13,930). No contributions were payable to the fund at the year end (2005 - none).

15. RELATED PARTY TRANSACTIONS

During 2006 an open market rent totalling £22,000 (2005 - £10,000) was charged by Cygnus UK Limited. In addition, during the year the amount owed to Cygnus UK Limited increased by £31,054 from £37,352 to £68,406. The £68,406 outstanding at the year end is included in creditors.

16 ULTIMATE HOLDING COMPANY

The ultimate holding company at the balance sheet date was Cygnus UK Limited, which owns 85% of the issued share capital of the company. Cygnus UK Limited is incorporated in Great Britain.