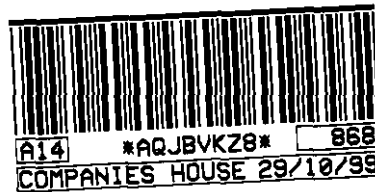


CYGNUS INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 1998



KENNEDY LEGG

ACCOUNTANTS AND REGISTERED AUDITORS

DORCHESTER

**CYGNUS INSTRUMENTS LIMITED**

**FINANCIAL STATEMENTS**

**for the year ended 31st December 1998**

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## CYGNUS INSTRUMENTS LIMITED

## COMPANY INFORMATION

31st December 1998

NUMBER	1669180
DIRECTORS	D L Cartwright P J Meech
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 Wiltshire 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

## CYGNUS INSTRUMENTS LIMITED

## DIRECTORS' REPORT

31st December 1998

The directors present their report and the audited financial statements for the year ended 31st December 1998.

**Principal activity**

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

**Directors**

It is with regret that the directors report the death of Mrs P A Fagg, former sales director of the company on 21st September 1998.

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 1998 Ordinary shares	1st January 1998 Ordinary shares
D L Cartwright	12,000	12,000
P J Meech	-	-
Mrs P A Fagg (deceased)	-	-

**Charitable and political donations**

Payments of a charitable nature made during the year amounted to £430.

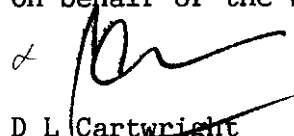
**Auditors**

Kennedy Legg have agreed to offer themselves for re-appointment as auditors of the company. 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

1st June 1999

## CYGNUS INSTRUMENTS LIMITED

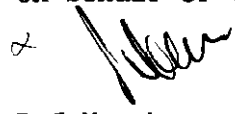
## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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.

On behalf of the board

  
P J Meech  
Director

1st June 1999

**CYGNUS INSTRUMENTS LIMITED****AUDITORS' REPORT****Auditors' report to the members of  
Cygnus Instruments Limited**

We have audited the financial statements on pages 5 to 11 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities and 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kennedy Legg  
Accountants and Registered Auditors  
Dorchester  
1st June 1999

## CYGNUS INSTRUMENTS LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1998

	Note	1998 £	1997 £
Turnover	2	851,808	867,637
Cost of sales		(304,146)	(326,996)
Gross profit		547,662	540,641
Net operating expenses			
Distribution costs		(159,577)	(164,915)
Administrative expenses		(378,474)	(385,715)
Other operating income		5,174	5,884
Operating profit/(loss)	3	14,785	(4,105)
Interest payable		(8,225)	(4,071)
Profit/(loss) on ordinary activities before taxation		6,560	(8,176)
Taxation		-	-
Profit/(loss) on ordinary activities after taxation			
retained for the year	9	6,560	(8,176)

Movements in reserves are shown in note 9.

## CYGNUS INSTRUMENTS LIMITED

## BALANCE SHEET

at 31st December 1998

	Note	1998 £	1997 £
<b>Fixed assets</b>			
Tangible assets	5	83,164	92,894
<b>Current assets</b>			
Stocks		106,689	104,994
Debtors	6	313,028	395,909
Cash at bank and in hand		186,653	73,487
		<u>606,370</u>	<u>574,390</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(321,528)</u>	<u>(305,838)</u>
<b>Net current assets</b>		<u>284,842</u>	<u>268,552</u>
<b>Total assets less current liabilities</b>		<u>368,006</u>	<u>361,446</u>
<b>Capital and reserves</b>			
Called up share capital	8	80,000	80,000
Profit and loss account	9	288,006	281,446
<b>Total shareholders' funds</b>		<u>368,006</u>	<u>361,446</u>

These financial statements are 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 March 1999).

The financial statements on pages 5 to 11 were approved by the board of directors on 1st June 1999 and signed on its behalf by:

D L Cartwright  
Director





## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1998

**1 Accounting policies****a 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 as conferred by Financial Reporting Standard No. 1 (Revised 1996) on the grounds that it qualifies as a small company under the Companies Act 1985.

**b 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.

**c 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:

Office equipment fixtures and equipment	20% on the reducing balance
Motor vehicles	25% on the reducing balance
Machinery, small tools and equipment	20% on the reducing balance

**d Leases and hire purchase contracts**

Rentals paid under operating leases are charged to income as incurred.

**e 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 is stated at cost.

Net realisable value is based on estimated selling price less the estimated cost of disposal.

**f 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.

**g 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.

**h Pensions**

The company operates a pension scheme for directors and employees. The contributions paid into the scheme are defined and charged to the profit and loss account accordingly.

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1998

## 2 Turnover

In the opinion of the directors, 66% of the turnover of the company is attributable to geographical markets outside the UK (1997 68%).

## 3 Operating profit/(loss)

	1998 £	1997 £
Operating profit/(loss) is stated after crediting:		
Interest receivable	5,174	5,884
and after charging:		
Auditors' remuneration	6,200	7,500
Loss on sale of assets	-	1,845
Foreign exchange differences	3,873	4,640
Depreciation of tangible fixed assets (note 5):		
Owned assets	22,552	25,554

## 4 Directors

	1998 £	1997 £
Directors' emoluments	137,079	148,182
Compensation for loss of office	14,000	-
	151,079	147,671

**Defined contribution pension scheme**

The company operates a defined contribution 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 £43,889 (1997 £49,565) including contributions in respect of employees.

Contributions totalling £0 (1997 £0) were payable to the fund at 31st December 1998.

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1998

## 5 Tangible fixed assets

Cost	Motor Vehicles £	Office Equipment Fixtures and Fittings £	Machinery Small Tools and Equipment £	Total £
1st January 1998	49,605	68,500	143,204	261,309
Additions	-	-	13,056	13,056
Disposals	-	-	(284)	(284)
31st December 1998	<u>49,605</u>	<u>68,500</u>	<u>155,976</u>	<u>274,081</u>
Depreciation				
1st January 1998	21,446	55,486	91,483	168,415
Charge for the year	7,040	2,603	12,909	22,552
Disposals	-	-	(50)	(50)
31st December 1998	<u>28,486</u>	<u>58,089</u>	<u>104,342</u>	<u>190,917</u>
Net book amount				
31st December 1998	<u>21,119</u>	<u>10,411</u>	<u>51,634</u>	<u>83,164</u>
1st January 1998	<u>28,159</u>	<u>13,014</u>	<u>51,721</u>	<u>92,894</u>

## 6 Debtors

	1998 £	1997 £
Amounts falling due within one year		
Trade debtors	295,335	378,496
Other debtors	17,693	17,413
	<u>313,028</u>	<u>395,909</u>

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1998

## 7 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	126,481	64,486
Trade creditors	63,226	75,366
Amounts owed to group undertakings and undertakings in which the company has a participating interest	85,423	77,292
Corporation tax	190	-
Other taxation and social security	16,731	21,287
Other creditors	29,477	67,407
	<u>321,528</u>	<u>305,838</u>

The company is a party to an agreement with the bank which, if circumstances require, provides a reciprocal right to 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 life of the directors.

## 8 Called up share capital

	1998		1997	
	Number of shares	£	Number of shares	£
<b>Authorised</b>				
Ordinary £1 shares	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
<b>Allotted, called up and fully paid</b>				
Ordinary £1 shares	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>	<u>80,000</u>

## 9 Profit and loss account

	1998 £
1st January 1998	281,446
Retained profit for the year	6,560
31st December 1998	<u>288,006</u>

## 10 Controlling interest

The company was controlled throughout the current and previous period by Surtest Marine Limited, by virtue of it's 85% holding of the ordinary share capital of the company.

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1998

## 11 Related parties

## Surtest Marine limited

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

	1998 £	1997 £
Receipts	(259,040)	(289,161)
Purchases	206,013	206,237
Overheads - Rates	1,471	1,421
Light and heat	608	507
Insurance	2,524	3,329
Administration salaries	11,770	12,447
Motor expenses	968	1,247
Auditors remuneration	2,000	2,000
Postage	985	1,100
Stationery	1,704	2,563
Telephone	2,440	2,593
Subscriptions	1,387	1,490
Legal fees	1,529	-
	<hr/> 27,386	<hr/> 28,697
Mortgage payments	16,563	16,670
Tax on mortgage interest	4,947	5,021
Interest on tax due	-	3,520
Value added tax	6,755	3,406
Management charge to Surtest Marine Limited	(10,755)	(10,960)
Net amount due to Surtest Marine Limited at the year end	(85,423)	(77,292)