

CYGNUS INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

31ST DECEMBER 1997



KENNEDY LEGG

ACCOUNTANTS AND REGISTERED AUDITORS

DORCHESTER

CYGNUS INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

for the year ended 31st December 1997

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## CYGNUS INSTRUMENTS LIMITED

## COMPANY INFORMATION

31st December 1997

NUMBER	1669180
DIRECTORS	D L Cartwright P J Meech Mrs P A 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 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 1997

The directors present their report and the audited financial statements for the year ended 31st December 1997.

**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 1997 Ordinary shares	1st January 1997 Ordinary shares
D L Cartwright	12,000	12,000
P J Meech	-	-
Mrs P A Fagg	-	-

**Charitable and political donations**

Payments of a charitable nature made during the year amounted to £675.


**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

30th June 1998

## 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

30th June 1998

## 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 historical cost convention 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 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kennedy Legg  
Registered Auditors  
Dorchester

30th June 1998

## CYGNUS INSTRUMENTS LIMITED

## PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1997

	Note	1997 £	1996 £
Turnover	2	867,637	782,089
Cost of sales		(326,996)	(292,634)
Gross profit		<u>540,641</u>	<u>489,455</u>
Net operating expenses			
Distribution costs		(137,458)	(131,337)
Administrative expenses		(413,172)	(390,569)
Other operating income		5,884	7,883
Operating loss	3	<u>(4,105)</u>	<u>(24,568)</u>
Interest payable	5	<u>(4,071)</u>	<u>(2,979)</u>
Loss on ordinary activities before taxation		(8,176)	(27,547)
Taxation	6	<u>-</u>	<u>4,821</u>
Loss on ordinary activities after taxation			
retained for the year	12	<u>(8,176)</u>	<u>(22,726)</u>

Movements in reserves are shown in note 12.

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

There are no recognised gains and losses in 1997 or 1996 other than the loss for the year.

## CYGNUS INSTRUMENTS LIMITED

## BALANCE SHEET

at 31st December 1997

	Note	£	1997 £	£	1996 £
<b>Fixed assets</b>					
Tangible assets	7		92,894		95,815
<b>Current assets</b>					
Stocks		104,994		76,445	
Debtors	8	395,909		307,577	
Cash at bank and in hand		73,487		158,580	
		574,390		542,602	
Creditors: amounts falling due within one year	9	(305,838)		(268,795)	
<b>Net current assets</b>			268,552		273,807
<b>Total assets less current liabilities</b>			361,446		369,622
<b>Capital and reserves</b>					
Called up share capital	11		80,000		80,000
Profit and loss account	12		281,446		289,622
<b>Total shareholders' funds</b>	10		361,446		369,622

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 30th June 1998 and signed on its behalf by:

*P J Meech*

P J Meech  
Director



CYGNUS INSTRUMENTS LIMITED  
NOTES ON FINANCIAL STATEMENTS

31st December 1997

**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 qualifies as a small company under the Companies Act 1985.

**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% on the reducing balance
Motor vehicles	25% on the reducing balance
Office equipment, fixtures and fittings	20% on the reducing balance

**Leases and hire purchase contracts**

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

**Research and development**

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

**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.

**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.

**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.

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1997

## 1 Accounting policies continued

## 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.

## 2 Turnover

In the opinion of the directors, 68% of the turnover of the company is attributable to geographical markets outside the UK. (1996 66%)

## 3 Operating loss

	1997 £	1996 £
Operating loss is stated after crediting		
Interest receivable	5,884	7,883
Profit on foreign exchange	-	724
Bad debts recovered	-	5,757
	<u>          </u>	<u>          </u>
and after charging		
Auditors' remuneration	7,500	7,950
Operating leases		
Hire of plant and machinery	168	-
Rent	10,960	9,750
Loss on sale of assets	1,845	450
Loss on foreign exchange	4,640	-
Research and development expenditure	110,234	7,958
Staff pension scheme contributions	12,003	-
	<u>          </u>	<u>          </u>
Depreciation of tangible fixed assets (note 7)		
owned assets	25,554	26,359
	<u>          </u>	<u>          </u>

## 4 Directors

	1997 £	1996 £
Directors' emoluments	148,182	166,405
	<u>          </u>	<u>          </u>

## 5 Interest payable

	1997 £	1996 £
Interest payable	4,212	2,979
	<u>          </u>	<u>          </u>

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1997

## 6 Taxation

	1997 £	1996 £
Corporation tax on profit on ordinary activities at 25% (1996 24%)	-	(4,571)
Over provision in earlier years	-	(250)
	<u>-</u>	<u>(4,821)</u>

## 7 Tangible fixed assets

Cost	Motor Vehicles £	Office Equipment Fixtures and Fittings £	Machinery Small Tools and Equipment £	Total £
1st January 1997	49,882	68,500	129,267	247,649
Additions	22,041	-	13,937	35,978
Disposals	(22,318)	-	-	(22,318)
31st December 1997	<u>49,605</u>	<u>68,500</u>	<u>143,204</u>	<u>261,309</u>
Depreciation				
1st January 1997	21,033	52,232	78,569	151,834
Charge for year	9,386	3,254	12,914	25,554
Disposals	(8,973)	-	-	(8,973)
31st December 1997	<u>21,446</u>	<u>55,486</u>	<u>91,483</u>	<u>168,415</u>
Net book amount				
31st December 1997	<u>28,159</u>	<u>13,014</u>	<u>51,721</u>	<u>92,894</u>
1st January 1997	<u>28,849</u>	<u>16,268</u>	<u>50,698</u>	<u>95,815</u>

## 8 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	378,496	277,791
Other debtors	17,413	29,786
	<u>395,909</u>	<u>307,577</u>

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1997

## 9 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	64,486	77,925
Trade creditors	75,366	72,238
Amounts owed to group undertakings and undertakings in which the company has a participating interest	77,292	40,722
Other taxation and social security	21,287	15,419
Other creditors	67,407	62,491
	<u>305,838</u>	<u>268,795</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 guarantee in force between the company, and Surtest Marine Limited.

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

## 10 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Loss for the financial year representing a Net (subtraction from)/addition to shareholders' funds	(8,176)	(22,726)
Opening shareholders' funds	369,622	392,348
Closing shareholders' funds	<u>361,446</u>	<u>369,622</u>

## 11 Called up share capital

	1997		1996	
	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>

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1997

**12 Profit and loss account**

	1997 £
1st January 1997	289,622
Retained loss for the year	(8,176)
	<hr/>
31st December 1997	281,446
	<hr/> <hr/>

**13 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 1997.

**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 contributions paid in respect of the directors amounted to £37,562 (1996 £38,102). The assets of the scheme are held in separate trustee administered funds and contributions are charged to the profit and loss account.

**Capital commitments**

There were no capital commitments at 31st December 1997.

**16 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 shares of the company.

## CYGNUS INSTRUMENTS LIMITED

## NOTES ON FINANCIAL STATEMENTS

31st December 1997

## 17 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:

	1997 £	1996 £
Receipts	(289,161)	(200,218)
Purchases	206,237	177,168
Overheads - Rates	1,421	1,661
Light and heat	507	876
Insurance	3,329	3,223
Administration salaries	12,447	9,967
Motor expenses	1,247	1,646
Auditors remuneration	2,000	2,000
Postage	1,100	1,148
Stationery	2,563	2,370
Telephone	2,593	2,673
Subscriptions	1,490	1,562
Legal fees	-	36
	<u>28,697</u>	<u>27,162</u>
Mortgage payments	16,670	17,477
Tax on mortgage interest	5,021	24,647
Interest on tax due	3,520	-
Corporation tax	-	4,005
Value added tax	3,406	2,688
Management charge to Surtest Marine Limited	(10,960)	(10,750)
Net amount due to Surtest Marine Limited at the year end	(77,292)	(40,722)