

1497180

CYGNUS INSTRUMENTS LIMITED

ACCOUNTS
for the year ended
31 DECEMBER 1985



Coopers
& Lybrand

CYGNUS INSTRUMENTS LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1985

1 The directors present herewith the audited accounts for the year ended 31 December 1985.

Principal activities

2 The profit and loss account for the year is set out on page 4.

3 The principal activity of the company, which is unchanged since last year, is the manufacture and sale of ultrasonic thickness gauges and other instruments.

Review of business and future developments

4 During the year the company has continued to develop and expand its range of products. In addition the company has improved its production facility in anticipation of the expected increase in instrument sales.

In 1986 production moved to Dorchester to be near the administrative headquarters and although the company has continued to make losses in 1986 the business has generated its first profits in 1987. The directors are confident that having laid the foundations the company will continue to be profitable.

Dividends

5 The directors do not recommend the payment of a dividend in respect of the year.

Directors

6 The directors of the company at 31 December 1985, all of whom have been directors for the whole of the year ended on that date, were:-

G J Edes (Chairman)
D L Cartwright
H A M W Edwards

In accordance with the articles of association, Mr G J Edes retires by rotation and, being eligible, offers himself for re-election.

Fixed assets

7 The movements in fixed assets during the year are set out in note 9 to the accounts. There has been a change in accounting policy such that assets acquired under lease or hire purchase are now capitalised.



4

CYGNUS INSTRUMENTS LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 1985 - CONTINUED

Directors' interests

8 The interests of the directors of the company at 31 December 1985 in the shares of the company, according to the register required to be kept by Section 325 of the Companies Act 1985, were as follows:-

	<u>Ordinary shares of £1 each</u>	
	<u>31 December 1985</u>	<u>1 January 1985</u>
G J Edes	55,200	1,600
D L Cartwright	12,000	800
H A M W Edwards	10,000	-

The interests of G J Edes include 10,350 shares held by his wife and 12,000 (1984:1,600) owned by Surtest Limited, a company controlled by him. In addition, the interests of D L Cartwright include 6,000 shares held by his wife.

9 G J Edes is also a director of Surtest Limited, a company controlled by him, with which Cygnus Instruments Limited shares various administrative services. The cost of these services is apportioned between the two companies.

10 G J Edes is the owner of the office premises of the company in Dorchester for which no rental has been charged but it is proposed that the company purchase the property at a fair market value in the year ending 31 December 1987.

11 During the year all three directors made loans available to the company on which they received interest as set out in note 7 to the accounts.

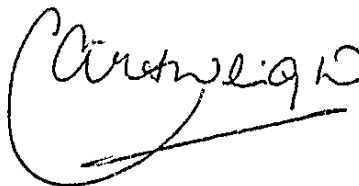
Close company

12 The company is a close company within the meaning of the Income and Corporation Taxes Act 1970, as amended.

Auditors

13 During the year Hicks Anderson & Co resigned as auditors and Coopers & Lybrand were appointed by the directors in their place. A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

BY ORDER OF THE BOARD



SECRETARY

REPORT OF THE AUDITORS TO THE MEMBERS OF
CYGNUS INSTRUMENTS LIMITED

- 1 We have audited the accounts on pages 4 to 14 in accordance with approved Auditing Standards, except that the scope of our work was limited by the matters referred to below.
- 2 The accounts have been prepared on a going concern basis which assumes that adequate finance will be available to enable the company to continue its operations in the foreseeable future. The directors have stated in paragraph 4 of their report that, whilst further losses were made during 1986, the company has generated its first profits in 1987, and they are confident that the company will continue to be profitable. The company continued to enjoy the support of its bankers which has included a reorganisation of its facilities with those of a company in common ownership. The bankers have confirmed that in the absence of unforeseen circumstances the present facilities, which are fully utilised, will continue for the foreseeable future. The ability of the company therefore to continue as a going concern is dependent on it continuing to generate profits. However we have carried out no further audit work since the year ended 31 December 1985 and we have not therefore verified the present financial position of the company nor confirmed the accuracy of trading projections.
- 3 In common with many businesses of similar size and organisation the company's system of control is dependent upon the close involvement of the directors. Where independent confirmation of the completeness of the accounting records was not available we have accepted assurances from the directors that all the company's transactions have been reflected accurately in the records.
- 4 We were appointed auditors on 20 June 1986 which was after the company's year end. Accordingly we were not able to observe the company's stocktaking procedures at the year end. We were therefore unable to confirm the physical existence of the stock valued at £58,960 in the balance sheet at 31 December 1985.
- 5 Because of the significance of the matters referred to above, we are unable to form an opinion as to whether the accounts give a true and fair view of the state of the company's affairs at 31 December 1985 or of its loss or source and application of funds for the year then ended, or comply with the Companies Act 1985.

BOURNEMOUTH, 6 August 1987


Chartered Accountants

CYGNUS INSTRUMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u> (as restated)
		£	£
Turnover			
Cost of sales	1(b)	359,732	165,622
		<u>159,532</u>	<u>36,453</u>
Gross profit			
Net operating expenses	3	200,200	129,169
		<u>231,347</u>	<u>188,736</u>
Operating loss	4	(31,147)	(59,567)
Interest payable and similar charges	7	<u>21,053</u>	<u>11,076</u>
Loss on ordinary activities for the year		£ (52,200)	£ (70,643)

STATEMENT OF ACCUMULATED DEFICIT

Accumulated deficit at 1 January			
As previously reported		97,078	71,435
Prior year adjustment	8	<u>45,000</u>	<u>-</u>
As restated		142,078	71,435
Loss for the year		<u>52,200</u>	<u>70,643</u>
Accumulated deficit at 31 December		<u>£194,278</u>	<u>£142,078</u>

The notes on pages 7 to 14 form part of these accounts
Auditors' report page 3

CYGNUS INSTRUMENTS LIMITED
BALANCE SHEET AT 31 DECEMBER 1985

	<u>Notes</u>	<u>1985</u>	<u>1984</u> (as restated)
		£	£
FIXED ASSETS	9	16,631	12,726
CURRENT ASSETS			
Stock	10	58,960	20,000
Debtors	11	62,207	15,462
Cash in hand		<u>594</u>	<u>172</u>
		121,761	35,634
CREDITORS: amounts falling due within one year	12	<u>248,216</u>	<u>184,618</u>
NET CURRENT LIABILITIES		(126,455)	(148,984)
Total assets less current liabilities		(109,824)	(136,258)
CREDITORS: amounts falling due after more than one year	13	<u>(4,454)</u> <u>£(114,278)</u>	<u>(3,420)</u> <u>£(139,678)</u>
CAPITAL AND RESERVES			
Called up share capital	15	80,000	2,400
Profit and loss account		<u>(194,278)</u> <u>£(114,278)</u>	<u>(142,078)</u> <u>£(139,678)</u>

These accounts were approved by the board on 30 June 1987

[Signature])
[Signature]) Directors

The notes on pages 7 to 14 form part of these accounts
Auditors' report page 3

6

CYGNUS INSTRUMENTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1985

	<u>1985</u>	<u>1984</u> (As restated)
	£	£
SOURCE OF FUNDS		
Loss before taxation	(52,200)	(70,643)
Adjustment for item not involving the movement of funds:		
Depreciation	9,170	1,215
FUNDS ABSORBED BY OPERATIONS	(43,030)	(69,428)
FUNDS OF OTHER SOURCES		
Hire purchase finance	7,040	5,130
Allotment of shares	77,600	-
TOTAL SOURCES OF FUNDS	41,610	(64,298)
APPLICATION OF FUNDS		
Purchase of fixed assets	(13,075)	(5,610)
Hire purchase payments	(3,526)	-
	<u>£25,009</u>	<u>£(69,908)</u>
INCREASE/(DECREASE) IN WORKING CAPITAL		
Increase in stocks	38,960	15,500
Increase in debtors	46,745	9,350
Decrease/(increase) in creditors	<u>19,104</u>	<u>(96,490)</u>
	104,809	(71,640)
Movement in net liquid funds:		
Bank and cash balances	(79,800)	1,732
	<u>£25,009</u>	<u>£(69,908)</u>

The notes on pages 7 to 14 form part of these accounts
Auditors' report page 3

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985

Principal accounting policies

1 (a) Accounting convention

These accounts have been prepared under the historical cost convention.

(b) Turnover

Turnover represents the invoiced value of goods sold, exclusive of value added tax, but including carriage outwards.

(c) Depreciation

Depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets using the following annual rates:-

Fixtures and fittings	20%
Motor cars	25%
Office equipment	20%
Laboratory equipment	20%

The policy has been amended from the previous year and the effect is disclosed in note 9.

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost, where appropriate, includes carriage inwards and direct labour.

(e) Research and development

Expenditure on research and development is written off in the year in which it is incurred. This is a change in policy from previous years and the effect is disclosed in note 8.

(f) Taxation

The charge for taxation is based on the profit for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted. The amount of unprovided deferred tax is calculated at the best estimate of corporation tax rates in the longer term and is analysed into its major components.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED2 Geographical analysis of turnover

	£
United Kingdom	189,620
EEC	45,978
USA	107,595
Worldwide	16,539
	<u>£359,732</u>

3 Net operating expenses

Net operating expenses are made up as follows:-

	<u>1985</u>	<u>1984</u>
	£	£
Distribution costs	59,405	67,089
Administrative expenses	<u>171,942</u>	<u>121,647</u>
	<u>£231,347</u>	<u>£188,736</u>

4 Operating loss

Operating loss is stated after charging:-

	<u>1985</u>	<u>1984</u>
	£	£
Depreciation	9,170	1,215
Auditors' remuneration	3,000	2,750
Directors' emoluments (see note 5)	52,599	12,063
Operating lease rentals for plant and machinery	7,322	5,958
Hire of equipment	3,513	-

5 Directors' emoluments

	<u>1985</u>	<u>1984</u>
	£	£
Emoluments of the Chairman and highest paid director (1984: Chairman fnil)	<u>£27,108</u>	<u>£12,063</u>

Number of directors whose emoluments were within the ranges:-

	<u>Number</u>	<u>Number</u>
£ 0 to £ 5,000	-	1
£ 5,001 to £10,000	1	-
£15,001 to £20,000	1	-

9

CYGNUS INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED

6 Employee information

- (a) The average number of persons employed by the company, including directors, during the year is analysed below:-

	<u>1985</u>	<u>1984</u>
Administration	5	3
Production and selling	7	3
Surveying	2	-
Development	4	5
	<u>18</u>	<u>11</u>

- (b) The company employment costs - all employees including executive directors:-

	<u>1985</u>	<u>1984</u>
	£	£
Aggregate gross wages and salaries	176,642	73,380
Employers' National Insurance contributions	<u>18,537</u>	<u>6,736</u>
Total direct costs of employment	<u>£195,179</u>	<u>£80,116</u>

7 Interest payable and similar charges

	<u>1985</u>	<u>1984</u>
	£	£
HP interest	953	-
Bank and loan interest	13,428	-
Bank charges	2,099	11,076
Directors' loan interest	4,573	-
	<u>£21,053</u>	<u>£11,076</u>

Directors' loan interest has been paid at varying rates during the year. All loans are repayable within five years.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED8 Prior year adjustments

This is made up as follows:-

Write off of research and development £45,000

As stated in note 1(e) the policy for research and development has been changed during the year and these costs are now written off as incurred. Accordingly the costs of £45,000 disclosed by the balance sheet at 31 December 1984 have been written off as a prior year adjustment.

9 Fixed assets

	<u>Motor vehicles</u> £	<u>Fixtures and fittings</u> £	<u>Office equipment</u> £	<u>Laboratory equipment</u> £	<u>Total</u> £
<u>Cost</u>					
At 1.1.85	5,610	9,443	-	-	15,053
Additions	8,218	94	600	4,163	13,075
At 31.12.85	<u>13,828</u>	<u>9,537</u>	<u>600</u>	<u>4,163</u>	<u>28,128</u>
<u>Depreciation</u>					
At 1.1.85	234	2,093	-	-	2,327
Charge for year	4,626	3,591	120	833	9,170
	<u>£4,860</u>	<u>£5,684</u>	<u>£120</u>	<u>£ 833</u>	<u>£11,497</u>
NBV at 31.12.85	<u>£8,968</u>	<u>£3,853</u>	<u>£480</u>	<u>£3,330</u>	<u>£16,631</u>
NBV at 31.12.84	<u>£5,376</u>	<u>£7,350</u>	<u>£ -</u>	<u>£ -</u>	<u>£12,726</u>

The effect of the change in depreciation rates disclosed in note 1(c) is to increase the charge for the year by £2,377.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED10 Stocks and work in progress

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Raw materials and consumables	27,954	8,000
Work in progress	8,037	4,000
Finished goods and goods for resale	<u>22,969</u>	<u>8,000</u>
	<u>£58,960</u>	<u>£20,000</u>

11 Debtors

Amounts falling due within one year:-

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Trade debtors	60,970	14,323
Other debtors	<u>1,237</u>	<u>1,139</u>
	<u>£62,207</u>	<u>£15,462</u>

12 Creditors: amounts falling due within one year

	<u>1985</u>	<u>1984</u>
	<u>£</u>	<u>£</u>
Bank loans and overdrafts		
(see (a), (b) and (c) below)	103,344	23,122
Trade creditors	58,657	42,607
Other creditors including taxation		
and social security (see (d) below)	81,715	118,889
Accruals	<u>4,500</u>	<u>-</u>
	<u>£248,216</u>	<u>£184,618</u>

- (a) The bank loan and overdraft are secured by a charge over all the assets of the company and by an unlimited guarantee by the directors.
- (b) The company is a party to an agreement with the bank giving 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.
- (c) Since the year end the bank has extended the overdraft facility to £70,000 and at 31 May 1987 this facility was fully utilised and in addition the company was in receipt of a fixed term bank loan of £140,000.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED

- (d) 'Other creditors including taxation and social security' is made up as follows:-

	<u>1985</u> £	<u>1984</u> £
Customs & Excise	7,102	-
PAYE and NHI	28,713	12,565
Income tax	1,372	-
Hire purchase accounts	4,190	1,710
Directors' loan account	19,550	65,500
Related company	18,368	38,093
Other creditors	<u>2,420</u>	<u>1,021</u>
	<u>£81,715</u>	<u>£118,889</u>

- 13 Creditors: amounts falling due after more than one year

	<u>1985</u> £	<u>1984</u> £
Hire purchase accounts	<u>£4,454</u>	<u>£3,420</u>

- 14 Deferred taxation

	<u>1985</u>		<u>1984</u>	
	Full potential liability	Provision made	Full potential liability	Provision made
	£	£	£	£
Accelerated capital allowances	1,495	1,495	2,555	2,555
Losses (restricted)	(1,495)	(1,495)	(2,555)	(2,555)
	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>	<u>£ -</u>

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED15 Share capital

Ordinary shares of £1 each

	<u>1985</u>	<u>1984</u>
Authorised	<u>250,000</u>	<u>2,400</u>
Issued and fully paid	<u>80,000</u>	<u>2,400</u>

The authorised share capital was increased to 50,000, 80,000 and then 250,000 at extraordinary general meetings held on 1 June 1985, 10 July 1985 and 23 September 1985 respectively.

Shares were allotted during the year were as follows:-

	£
Short term loans converted to ordinary shares	67,200
Cash	<u>10,400</u>
	<u>£77,600</u>

16 Commitments

Included in fixed assets is the cost of a motor vehicle which is the subject of a hire purchase agreement entered into by Surtest Limited. Cygnus Instruments Limited have a commitment to pay all costs of hire purchase on behalf of Surtest Limited.

17 Obligations under non-cancellable operating leases

	£
Payable within one year	9,157
Payable within two to five years	<u>25,474</u>
	<u>£34,631</u>

Included above is a lease entered into by Surtest Limited on which Cygnus Instruments Limited pay the rentals. The total liability under this lease is £2,880.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTS - 31 DECEMBER 1985 - CONTINUED18 Contingent liabilities

	£
Amount of guarantees of bank overdrafts of related companies at 31 December 1985	39,272
Tender guarantee	1,562
	<hr/>
	£40,834
	<hr/>

Auditors' report page 3