

CYGNUS INSTRUMENTS LIMITED

REPORT AND FINANCIAL STATEMENTS

31ST DECEMBER 1993

KENNEDY LEGG

Accountants and Registered Auditors

DORCHESTER



AKAC22Y4

A32 RECEIPT DATE:15/07/94

CYGNUS INSTRUMENTS LIMITED

COMPANY INFORMATION

DIRECTORS

D.L. Cartwright
P. Meech
P. Fagg

SECRETARY

D.L. Cartwright

REGISTERED OFFICE

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

REGISTERED NUMBER

1699180

AUDITORS

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

BANKERS

Lloyds Bank PLC,
38 Blue Bank Row,
Salisbury,
Wilts SP1 1DB.

CYGNUS INSTRUMENTS LIMITED

FINANCIAL ACCOUNTS

for the year ended

31ST DECEMBER 1993

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CYGNUS INSTRUMENTS LIMITEDREPORT OF THE DIRECTORS

The Directors present their report and Audited Accounts for the year ended 31st December 1993.

PRINCIPAL ACTIVITY

The principal activity of the company throughout the year was that of the manufacture and sale of ultrasonic thickness gauges and other instruments.

REVIEW OF THE BUSINESS

A summary of the results of the trading for the year is given on page 5 of the Accounts.

The directors consider the state of affairs to be satisfactory.

RESULTS AND DIVIDENDS

The retained loss of the company for the year was £23259 (1992 £93786 profit).

The directors recommend that this be deducted from the retained earnings at the beginning of the year and that the balance of £284354 be carried forward.

The directors do not recommend the payment of a dividend.

EVENTS SINCE THE END OF THE YEAR

Details of post balance sheet events are given in note 18 on page 12.

FIXED ASSETS

Changes in fixed assets during the year are set out in note 10 on page 10.

FUTURE DEVELOPMENTS

Work is continuing on the development and modification of existing products to meet customers' requirements and to take advantage of new technology as it becomes available.

DIRECTORS

The directors who served during the year and their beneficial interests in the company's issued ordinary share capital were as follows:

	<u>31st December 1993</u>	<u>31st December 1992</u>
D.L. Cartwright	12000	12000
P. Meech	nil	nil
P. Fagg	nil	nil

CYGNUS INSTRUMENTS LIMITED

REPORT OF THE DIRECTORS

POLITICAL AND CHARITABLE CONTRIBUTIONS

No political or charitable contributions were made during the year.

HOLDING COMPANY

The company is a subsidiary of Surtest Marine Limited, a company registered in England.

CLOSE COMPANY

In the opinion of the directors the company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, Messrs. Kennedy Legg, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Signed on behalf of the Board of Directors:



D.L. CARTWRIGHT
Secretary

Cygnus House,
30 Prince of Wales Road,
Dorchester,
Dorset DT1 1PW.
30th June 1994

CYGNUS INSTRUMENTS LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

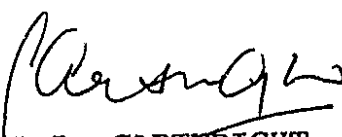
We are required under company law to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those Financial Statements we are required to:-

- 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.

BY ORDER OF THE BOARD


D.L. CARTWRIGHT
Secretary

30th June 1994

REPORT OF THE AUDITORS 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.

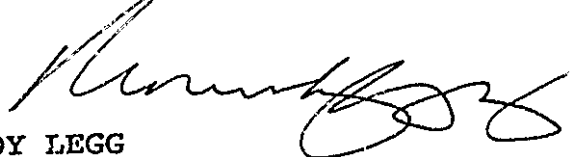
Basis of opinion

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 1993 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

Stafford House,
10 Prince of Wales Road,
Dorchester,
Dorset DT1 1PW.
30th June 1994

CYGNUS INSTRUMENTS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1993

	<u>Note</u>	£ <u>1993</u>	£	£ <u>1992</u>	£
<u>TURNOVER</u>	2	685885		802622	
Cost of sales		<u>230895</u>		<u>267191</u>	
<u>GROSS PROFIT</u>		454990		535431	
Distribution costs		149015		133513	
Administrative expenses		<u>348495</u>		<u>373068</u>	
		(497510)		(506581)	
		(42520)		28850	
Other operating income	6	<u>16353</u>		<u>27555</u>	
<u>OPERATING (LOSS)/PROFIT</u>	3	(26167)		56405	
Interest payable	7	<u>(3574)</u>		<u>(593)</u>	
<u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		(29741)		55812	
Tax on profit on ordinary activities	8	<u>6482</u>		(16026)	
<u>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION BEFORE EXTRAORDINARY ITEMS</u>		(23259)		39786	
Extraordinary items	9	<u>—</u>		<u>54000</u>	
<u>RETAINED (LOSS)/PROFIT FOR THE YEAR</u>		(23259)		93786	
Retained profit brought forward		<u>307613</u>		<u>213827</u>	
<u>RETAINED PROFIT CARRIED FORWARD</u>		<u>284354</u>		<u>307613</u>	

The Notes on pages 7 to 12 form part of these Accounts.

CYGNUS INSTRUMENTS LIMITEDBALANCE SHEETAS AT 31ST DECEMBER 1993

	<u>Notes</u>	<u>1993</u>	<u>1992</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	10	98114	103057
<u>CURRENT ASSETS</u>			
Stock	11	63089	63438
Debtors	12	312784	261071
Cash at bank and in hand		<u>224114</u>	<u>365478</u>
		599987	689987
<u>CREDITORS</u> - Amounts falling due within one year	13	(<u>333747</u>)	(<u>405431</u>)
<u>NET CURRENT ASSETS</u>		<u>266240</u>	<u>284556</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>364354</u>	<u>387613</u>
 <u>CAPITAL AND RESERVES</u>			
Called up share capital	15	80000	80000
Profit and Loss Account	16	<u>284354</u>	<u>307613</u>
		<u>364354</u>	<u>387613</u>

Signed on behalf of the
Board of Directors



P. MEECH
Director

Approved by the Board:
30th June 1994

The Notes on pages 7 to 12 form part of these Accounts.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 19931. ACCOUNTING POLICIESa. Basis of Accounting:

These financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified to incorporate the revaluation of certain assets.

b. Turnover

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

c. Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:-

Laboratory equipment	- 20% on cost
Fixtures and fittings	- 20% on cost
Motor vehicles	- 25% on cost

d. Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

e. Deferred Taxation

Provision is made at appropriate rates for taxation deferred in respect of all material timing differences only to the extent that, in the opinion of the directors, there is reasonable probability that a liability or asset will crystallise in the foreseeable future.

f. Research and Development

Research and development expenditure is written off in the year in which it is incurred.

g. Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the Balance Sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit/(loss).

h. Cash Flow Statement

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a Cash Flow Statement for the year.

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 19932. ANALYSIS OF TURNOVER AND PROFIT

The turnover attributable to different geographical areas are:-

	<u>Turnover</u>	
	<u>1993</u>	<u>1992</u>
	<u>£</u>	<u>£</u>
United Kingdom	216033	402299
Rest of Europe	78276	80291
United States of America	116986	152685
Rest of the World	<u>274590</u>	<u>167347</u>
	<u>685885</u>	<u>802622</u>

3. OPERATING PROFIT/(LOSS)

	<u>1993</u>	<u>1992</u>
	<u>£</u>	<u>£</u>
Operating profit/(loss) is stated after charging:-		
Amounts written off tangible assets	27034	28470
Operating lease charges	637	534
Staff costs - note 4	359214	300515
Auditors' fees	4000	2500
Accountancy fees	4000	2500
	<u>359214</u>	<u>300515</u>

4. STAFF COSTS

	<u>1993</u>	<u>1992</u>
The average number employed by the company, including directors, within each category of persons was:		
Production and selling staff	9	6
Administration staff	6	6
Research and development staff	4	4
Surveying staff	<u>6</u>	<u>4</u>
	<u>25</u>	<u>20</u>
	<u>1993</u>	<u>1992</u>
	<u>£</u>	<u>£</u>

The costs incurred, including directors remuneration (note 5) in respect of these employees were:

Wages and salaries	297893	244949
Social security costs	29789	24491
Pension costs	<u>31532</u>	<u>31075</u>
	<u>359214</u>	<u>300515</u>

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 19935. DIRECTORS REMUNERATION

<u>1993</u>	<u>1992</u>
<u>£</u>	<u>£</u>

Emoluments of directors of the company were as follows:

Management remuneration	<u>152269</u>	<u>122108</u>
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The fees and management remuneration of directors, excluding pension contributions, (other than those whose duties were wholly or mainly discharged outside the UK) were as follows:-

Highest paid director	<u>43667</u>	<u>34233</u>
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Number of other directors whose total emoluments, excluding pension contributions, were within the ranges:

£20001 - £25000	-	1
£30001 - £35000	1	-
£35001 - £40000	-	1
£40001 - £45000	1	-

6. OTHER OPERATING INCOME

<u>1993</u>	<u>1992</u>
<u>£</u>	<u>£</u>

Bank deposit interest	<u>16353</u>	<u>27555</u>
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7. INTEREST PAYABLE

<u>1993</u>	<u>1992</u>
<u>£</u>	<u>£</u>

Bank interest	<u>3574</u>	<u>593</u>
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8. TAXATION

<u>1993</u>	<u>1992</u>
<u>£</u>	<u>£</u>

Taxation is based on the profit for the year and comprises:

UK Corporation taxation payable(repayable) at 25% (1992 25%)	(7066)	16026
Underprovision in previous years	<u>584</u>	<u>-</u>
	<u>(6482)</u>	<u>16026</u>

9. EXTRAORDINARY ITEMS

<u>1993</u>	<u>1992</u>
<u>£</u>	<u>£</u>

H.A.M.W. Edwards - Keyman insurance proceeds	-	72000
Corporation tax @ 25%	<u>-</u>	<u>(18000)</u>
	<u>-</u>	<u>54000</u>

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 199310. TANGIBLE FIXED ASSETS

	<u>Motor Vehicles</u> £	<u>Fixtures and Fittings</u> £	<u>Laboratory Equipment</u> £	<u>Total</u> £
<u>COST OR VALUATION</u>				
At 1st January 1993	60164	65527	61399	187090
Additions	10453	373	15265	26091
Disposals	(9000)	-	-	(9000)
<u>At 31st December 1993</u>	<u>61617</u>	<u>65900</u>	<u>76664</u>	<u>204181</u>
<u>DEPRECIATION</u>				
At 1st January 1993	23497	31261	29275	84033
Charge for year	10831	6928	9478	27237
Withdrawn on disposals	(5203)	-	-	(5203)
<u>At 31st December 1993</u>	<u>29125</u>	<u>38189</u>	<u>38753</u>	<u>106067</u>
<u>NET BOOK VALUE</u>				
<u>31st December 1993</u>	<u>32492</u>	<u>27711</u>	<u>37911</u>	<u>98114</u>
<u>31st December 1992</u>	<u>36667</u>	<u>34266</u>	<u>32124</u>	<u>103057</u>

11. STOCKS

	<u>1993</u> £	<u>1992</u> £
Raw materials and consumables	36956	35877
Work in progress	23353	24781
Finished goods and goods for resale	<u>2780</u>	<u>2780</u>
	<u>63089</u>	<u>63438</u>

12. DEBTORS

	<u>1993</u> £	<u>1992</u> £
Trade debtors	273450	257863
Other debtors	16314	-
Prepayments and accrued income	11580	3208
Corporation tax recoverable	<u>11440</u>	<u>-</u>
	<u>312784</u>	<u>261071</u>

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 199313. CREDITORS - Amounts falling due
within one year

	<u>1993</u>	<u>1992</u>
	£	£
Bank overdrafts	10232	4227
Trade creditors	66748	67108
Related company	88820	135259
Other creditors -		
Corporation tax	-	40842
Other tax and Social Security	14564	22491
Other creditors	109323	111388
Accruals and deferred income	<u>44060</u>	<u>24116</u>
	<u>333747</u>	<u>405431</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.

14. PROVISIONS FOR LIABILITIES AND CHARGES

Provision is made for taxation liabilities arising from the allocation of items to different periods for taxation and for accounting purposes, except where it is probable that a liability will not crystallise. The source of the balance on the deferred tax account and the amounts for which provision has not been made are as follows:-

	<u>Provided</u>		<u>Unprovided</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
	£	£	£	£
Taxation deferred by capital allowances	<u>-</u>	<u>-</u>	<u>2607</u>	<u>1764</u>

15. SHARE CAPITAL

	<u>1993</u>	<u>1992</u>
	£	£
<u>Authorised</u>		
Ordinary £1 shares	<u>250000</u>	<u>250000</u>
<u>Allotted</u>		
Ordinary £1 shares	<u>80000</u>	<u>80000</u>

CYGNUS INSTRUMENTS LIMITEDNOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31ST DECEMBER 199316. RESERVESProfit and
Loss Account
£

Balance at 1st January 1993

307613

Retained loss for the year

(23259)

Balance at 31st December 1993

28435417. CONTINGENT LIABILITIES

There were no contingent liabilities at 31st December 1993.

18. POST BALANCE SHEET EVENTS

There were no material post balance sheet events affecting these Financial Statements.

19. FINANCIAL COMMITMENTSPension 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.

Capital Commitments

There were no capital commitments at 31st December 1993.