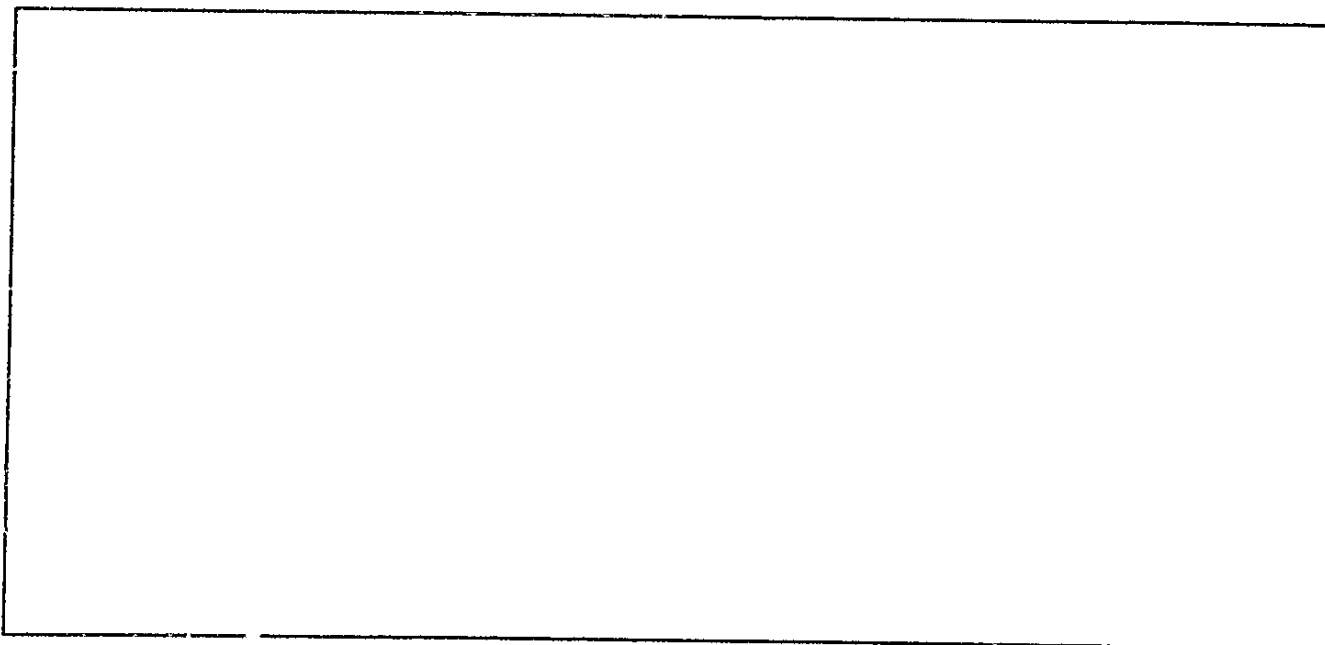




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COMPANY INFORMATION

Directors and Senior Executives

Directors	*Terry Clements, BEng, CEng, MIMechE Chairman
	Roger Harrop, BSc (Hons), CEng, FIMechE, FCIM, FRSA Chief Executive
	Bob Gordon, FCA Finance
	*Clive Gregory, FCA Group Finance Director, Pentos plc
	Les James, MSc Operations
	Riad Kocacho, BSc (Hons), MSc, PhD, CEng, C Phys, FInstP, FInst MC, FIEE Business Development and Research
	Bob Kydd, BSc (Hons), PhD, CEng, MInstMC Engineering
	Peter Parnell, BSc (Hons) UK Division
	Dave Willett, AAS, BS USA

Senior Executives

Alan Harbottle	General Manager Scottish Anglo Environmental Protection Ltd
Michel Lacaze	General Manager Servomex S.A.R.L.
Peter Martin, BA (Hons), MBA	Group Marketing Manager
Auke Rentenaar	General Manager Servomex B.V.
Robert Wang, BSc, PEng	General Manager Servomex Asia Pacific Limited

*Denotes non-executive

Secretary	Robert Malcolm Gordon, FCA	Solicitors	Baker & McKenzie 100 New Bridge Street London EC4V 6JA
Registered Office	Crowborough Hill Jarvis Brook Crowborough East Sussex TN6 3DU	Principal Bankers	Barclays Bank PLC Tunbridge Wells Business Centre 73 Calverley Road Tunbridge Wells Kent TN1 2UZ
Registered Number	1938746	Registrars	Lloyds Bank Plc Registrar's Department The Causeway Worthing West Sussex BN99 6DA
Stockbrokers	Natwest Wood Mackenzie & Co Limited 135 Bishopsgate London EC2M 3XT		
Auditors	Pricewaterhouse Chartered Accountants Bridge Gate 55-57 High Street Redhill, Surrey RH1 1RX		

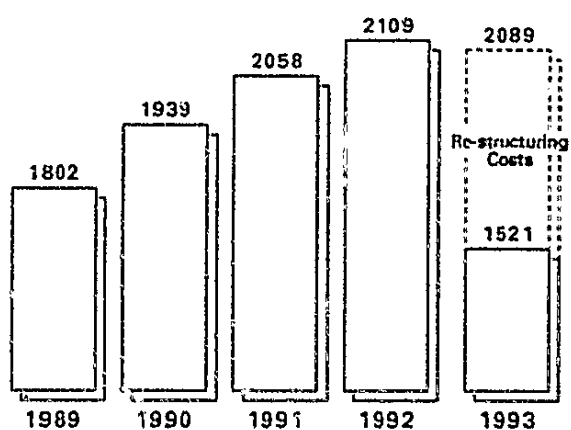
GROUP OPERATING UNITS

Servomex plc	Crowborough Hill Jarvis Brook, Crowborough East Sussex TN6 3DU England Tel (0892) 652181 Fax (0892) 662253	Servomex Asia	5F-4, No 328 Chang Chun Road Taipei, Taiwan, R.O.C Tel (886) 2-7160031 Fax (886) 2-7816724
UK Division		Pacific Ltd	
Manufacturing			
Division			
Servomex	90 Kerry Place, Norwood MA 02062, USA Tel: (1) 617 769-7710 Fax (1) 617 769-2834	CNTIC-Servomex	No 2 Sheng Gu Zhuang Chaoyang Area Beijing, China PO Box 1432, Beijing Postcode 100029 Tel (86)-1-426-9911, 2101 Fax (86)-1-426-9634
Company Inc.			
Servomex S.A.R.L.	8 Rue Proudhon B.P. 50 93212 La Plaine Saint Denis Paris, France Tel (33) 1 48 20 83 22 Fax (33) 1 48 20 63 58	Scottish Anglo	Tees Offshore Base Middlesbrough Cleveland TS6 6UZ Tel (0642) 457771 Fax (0642) 458183
Servomex B.V.	Postbus 406 - 2700 AK Zoetermeer Stephensonstraat 20-2723 RN Zoetermeer, Holland Tel (31) 79 - 41 71 41 Fax (31) 79 - 420319	Environmental	
		Protection Ltd	

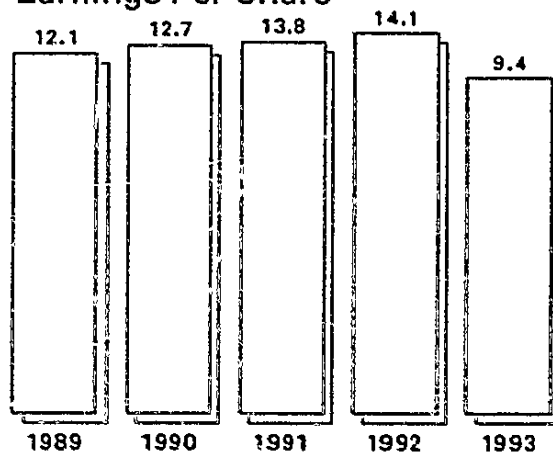
FINANCIAL HIGHLIGHTS

£'000	1992	1993
Profit pre-tax	2,109	1,521
Restructuring costs included in profit pre-tax	—	(568)
Sales	19,725	22,696
Earnings per share	14.1p	9.4p
Dividend per share	5.9p	6.4p
Gearing (percent)	23%	25%
Interest cover	17x	11x

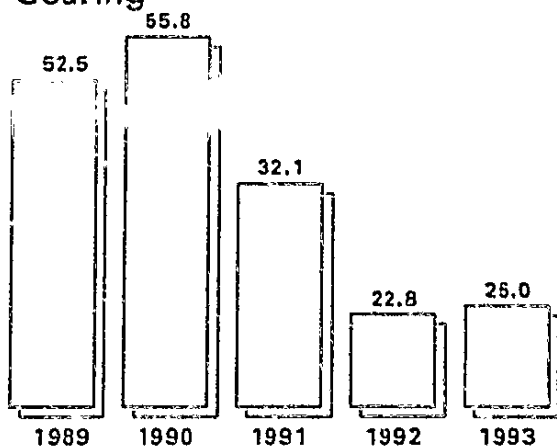
Profit Pre-tax



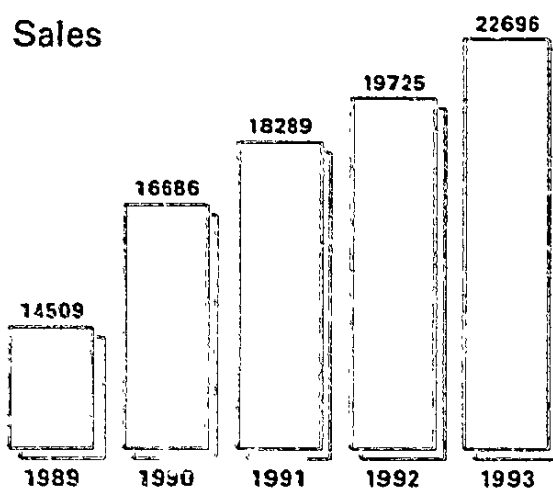
Earnings Per Share



Gearing



Sales





FIVE YEAR REVIEW

	1989 £'000	1990 £'000	1991 £'000	1992 £'000	1993 £'000
Turnover	14,509	16,686	18,289	19,725	22,696
Operating Profit*	2,136	2,190	2,372	2,239	1,681
*Restructuring costs included in operating profit	-	-	-	-	(568)
Profit before taxation	1,802	1,939	2,058	2,109	1,521
Taxation	(672)	(700)	(718)	(734)	(608)
Profit after taxation	1,130	1,239	1,340	1,375	913
Minority interests	-	(2)	(1)	9	13
Profit after minority interests	1,130	1,237	1,339	1,384	926
Dividends	(434)	(525)	(554)	(584)	(637)
Increase in reserves	696	712	785	800	289
Earnings per share	12.1p	12.7p	13.8p	14.1p	9.4p



STATISTICAL INFORMATION

Business Ratios:

	1992	1993	
Debtor days outstanding	58 days	61 days	
Inventory days held	103 days	76 days	down 26.2%
Sales per employee	£53.9k	£64.8k	up 20.2%
R&D to sales	5.4%	6.0%	up 11.0%

Exchange Rates:

US Dollar	- Translation average
	- Hedge Contract Rate
French Franc	- Translation average
Dutch Guilder	- Translation average
Taiwan Dollar	- Translation average

1.76	1.51
1.65	1.66
9.41	8.52
3.08	2.81
44.19	40.03

CHAIRMAN'S STATEMENT

Results

Sales advanced to £22.7m, 15% ahead of last year. This represents a modest 3% growth in volume, the rest being accounted for by price and exchange effects. Despite a poor start, our US operation recovered in the second half and produced an 11% growth in dollar terms. The US market now accounts for 39.5% of our total sales. European markets remained generally depressed. In Asia Pacific, we saw growth in orders resulting from our joint venture in Beijing and the tighter focus and support in the Asia Pacific market by our Taipei Company.

Operating profit at £1.7m reflects the impact in the year of restructuring within the Group, costs of which amounted to £568k and from £102k of additional stock write downs considered prudent. The underlying gross margin before stock write offs rose by 1.3 percentage points resulting from the effects of price rises, low material inflation and the lowering of the manufacturing overhead base. This was offset by the effects of exchange particularly in relation to the US dollar which strengthened considerably during 1993 after the Group had put in place its currency hedge contracts for the year. The adverse impact of this was c. £320k.

In addition to the £568k of restructuring expense referred to above, the Group's operating costs reflect the effects of our business programmes to improve our responsiveness to our customers and to the market place in general. These programmes have necessitated additional investment in both our selling and research and development organisations.

The Group's net debt level rose slightly during the year, ending at £1.77m (1992: £1.54m) and final gearing was 25% (1992: 23%). The inventory reduction programme, started in 1992, assisted greatly in the year releasing £724k of working capital towards the cost of capital investment programmes as well as to the costs of restructuring. Debtor levels remained under tight control throughout the year but were particularly high at the end of 1993 after an exceptional sales output in December. These debts fall due for collection early in 1994 and we expect the medium term trend to remain firmly downwards.

Profit before taxation at £1.5m reflects the one off and non recurring costs referred to above and compares with £2.1m last year.

The higher taxation charge for the year at 40% (1992: 35%) is largely due to the trading losses overseas which cannot be offset against Group

profits elsewhere. These losses will be offset against future trading profits.

Earnings per share are reduced in the year to 9.4p per share (1992: 14.1p). Despite this the Board is confident about the prospects for earnings growth in 1994 resulting from the actions taken. It is therefore recommending a final dividend of 4.5p per share which together with the interim dividend of 1.9p per share, represents a full year net dividend of 6.4p per share (1992: 5.9p). £289k is being retained in the business for growth.

Restructuring

During the last two years we have been working hard at ensuring that Servomex is well equipped to take advantage of its undoubted growth potential. The main thrust of these changes has been aimed at concentrating on our core competences and developing a rapid response to our customers' needs.

A number of projects have been completed, or are nearing completion. These are:-

- Divisionalisation to provide geographical customer focus
- Improved financial controls
- Introduction of lean manufacture
- Customer Delight Programme

The necessary reorganisation has regrettably meant some redundancies and there have also

CHAIRMAN'S STATEMENT

been other non-recurring costs which have been fully provided for in 1993.

We are convinced of the merit of continuous improvement and have started work on a new project to improve further our Product Development capability.

Prospects

World economic conditions show little sign of recovery, although we do see some improvement in the USA, Asia Pacific and the UK. Against this background we see limited scope for significant volume growth at present. However, as a result of the restructuring of our manufacturing and other operations and tighter market focus, we expect to see the major reduction in the cost base reflected in improved earnings in the current year.

New product introductions, which are increasingly in direct response to customer needs, will provide us with exciting new opportunities to develop the market.

The major reorganisation of the Group which has taken place in the last year is already beginning to yield positive results. Morale is high and focused on improving performance. I am therefore confident that we are now in a strong position to take advantage of our long term potential.

Cadbury Committee Recommendations

Further to our report last year on compliance with the Cadbury recommendations, I can report on further progress. In particular the board has taken the following action:-

- Non-executive directors are appointed on a two year contract.
- Established an Audit Committee of non-executive directors under the chairmanship of Mr Clive Gregory FCA.
- Defined the Directors' responsibility for preparing the accounts. (see page 17)

A full listing of our compliance follows my report.

CHAIRMAN'S STATEMENT

Profit Sharing Share Scheme

I am pleased to announce the introduction of our profit sharing share scheme with effect from 1 January 1994, following its approval by the shareholders at the 1993 AGM.

Under the scheme the Company may set aside up to 5% of its UK profits for the acquisition of Servomax shares to be held under trust for the benefit of eligible employees.

The Board believes strongly in the benefit to be obtained from the encouragement of employees through their participation in the growth of the company.

Board Changes

As indicated in his last statement, John Burton retired as Chairman in April 1993. During a tenureship of more than 10 years, he successfully led the Company through a critical period in its development and growth. I extend to him my sincere thanks and best wishes for a long and happy retirement.

I am pleased to welcome Les James to the Board. Les joined the Company in 1993 as General Manager - Manufacturing Division, and we look forward to his important contribution to the Board.

In June 1993 David Winrow decided to resign from the Company. I thank him for his past contribution to the Company and wish him well in his new endeavours.

Staff

In terms of organisational change and trading conditions, 1993 has been a difficult year for our staff. The board wishes to record its sincere thanks for their dedication and willingness to rise to the challenges that have faced them.

TERRY CLEMENTS

Chairman

28 March 1994

Presentation of Customer Delight Award, Endeavour Awards, Profit Plan Achievement Awards and Trainee of the Year Award by Roger Harrop, Chief Executive.

THE CODE OF BEST PRACTICE

	COMPLIANCE
1 The Board of Directors	
1.1 The board should meet regularly, retain full and effective control over the company and monitor the executive management.	✓
1.2 There should be a clearly accepted division of responsibility at the head of a company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision. Where the chairman is also the chief executive, it is essential that there should be a strong and independent element on the board, with a recognised senior member.	✓
1.3 The board should include non-executive directors of sufficient calibre and number for their views to carry significant weight in the board's decision.	✓
1.4 The board should have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the company is firmly in its hands.	✓
1.5 There should be an agreed procedure for directors in the furtherance of their duties to take independent professional advice if necessary, at the company's expense.	✓
1.6 All directors should have access to the advice and services of the company secretary, who is responsible to the board for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Any question of the removal of the company secretary should be a matter for the board as a whole.	✓
2 Non-Executive Directors	
2.1 Non-executive directors should bring an independent judgement to bear on issues of strategy, performance, resources, including key appointments, and standards of conduct.	✓
2.2 The majority should be independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement, apart from their fees and shareholding. Their fees should reflect the time which they commit to the company.	✓
2.3 Non-executive directors should be appointed for specified terms and reappointment should not be automatic.	✓
2.4 Non-executive directors should be selected through a formal process and both the process and their appointment should be a matter for the board as a whole.	✓

THE CODE OF BEST PRACTICE

3 Executive Directors

3.1 Directors' service contracts should not exceed three years without shareholders' approval.

X
(See Footnote 1)

3.2 There should be full and clear disclosure of directors' total emoluments and those of the chairman and highest paid UK director, including pension contributions and stock options. Separate figures should be given for salary and performance-related elements and the basis on which performance is measured should be explained.

✓

3.3 Executive directors' pay should be subject to the recommendations of a remuneration committee made up wholly or mainly of non-executive directors.

✓

4 Reporting and Controls

4.1 It is the board's duty to present a balanced and understandable assessment of the company's position.

✓

4.2 The board should ensure that an objective and professional relationship is maintained with the auditors.

✓

4.3 The board should establish an audit committee of at least 3 non-executive directors with written terms of reference which deal clearly with its authority and duties.

X
(See Footnote 2)

4.4 The directors should explain their responsibility for preparing the accounts next to a statement by the auditors about their reporting responsibilities.

✓

4.5 The directors should report on the effectiveness of the company's system of internal control.

X
(See Footnote 3)

4.6 The directors should report that the business is a going concern, with the supporting assumptions or qualifications as necessary

X
(See Footnote 3)

Footnotes

- 1 Each of the executive Directors has a rolling service contract which can be terminated by giving one year's notice.
- 2 An audit committee comprised of the two non-executive Directors under the Chairmanship of C. C. Gregory FCA has been set up. The Board does not propose to increase the number of non-executive Directors to fulfil this requirement at present.
- 3 The Board are advised that guidance has yet to be provided on the requirements of the Code dealing with statements on internal control and 'going concern'.

Auditor's Comment

The Company complies with all the provisions of the Cadbury Committee's Code of Best Practice, other than those items noted above and the requirements relating to going concern and internal control for which guidance is awaited. The Company's auditors, Price Waterhouse have reviewed our compliance with the specific matters in the Code which the London Stock Exchange requires that the auditors should review. They have reported to the Board that they are of the opinion that it is appropriate for the Directors to make the statement that the Company complies with those aspects of the Code referred to above.

REVIEW OF OPERATIONS

Despite trading levels worldwide remaining unpredictable throughout 1993 we achieved a modest business volume growth of 3%. Individual markets however varied dramatically with considerable successes in the USA, Italy, Canada, Poland and Japan where improved volumes were achieved, offset by extremely depressed conditions throughout most of mainland Europe and Australasia.

Our policy of maintaining a 12 month forward hedged position for our US dollar revenue has served us well in the past in ensuring that we have a predictable 'playing field' and enabling us to avoid short term exchange fluctuations. However, in the year the policy worked against us in so far as the fixed hedge rates with which we went into the year were, in the event, significantly higher than spot. Profitability would have been improved by c. £320k had we not adopted this policy. Nevertheless, we consider that in light of the high level of exposure to US dollar exchange fluctuation our hedging policy remains in the best interests of the Company.

The inventory reduction programme initiated in 1992 has already yielded considerable success, with inventories falling by £724k in the current year. As a consequence of this reduction however, operating profits have been impacted with a level of factory operating expense higher than usual. This was because fixed overhead capitalised in the closing 1992 inventory was not replaced by an equivalent level carried forward at the end of this year. The effect of this on operating profit amounted to £350k. With further reduction in inventories expected in 1994, a similar effect is anticipated on the 1994 results before the full financial benefits of the programme feed through to earnings.

A further consequence of our rigorous inventory reduction programme has been to bring into sharper relief slow moving and excess inventory, and an additional write off of these stocks of £102k was considered prudent in the year.

Despite the limited volume growth in the year, we increased our Research and Development investment levels and accelerated our 'Customer Delight' change programmes. These are targeted at achieving world class levels of performance in all aspects of our business and above average earnings growth. Tangible results from this programme are already materialising, sales per employee moving forward by 20% and most importantly, inventory continuing to decline. This is now at a level some 36% lower than at the

start of the programme in 1992 representing £1.5m released into the business.

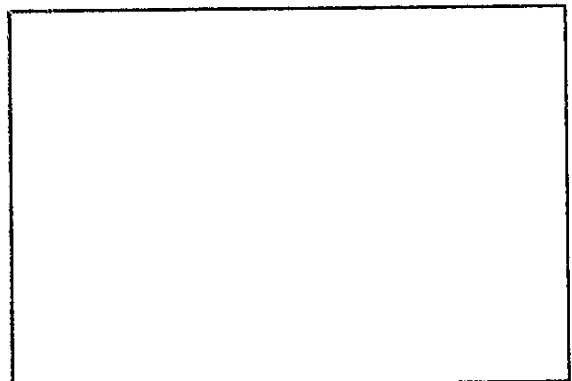
The most far reaching of the 'Customer Delight' programmes is our 'Excel' manufacturing development programme which is now well advanced at our Crowborough facility. The programme targets world class objectives which will be achieved through the adoption of 'lean production' cellular manufacturing and JIT (Just in Time) philosophies, together with a focus on our core competences and vendor partnership agreements. In a period of limited volume growth, the consequences of this programme have led inevitably and regrettably to the need to reduce the number of employees at all levels throughout our manufacturing division.

In addition to this, as a result of the severely depressed volumes encountered in certain markets during the year there was a need for us to restructure three of our subsidiary operations to lower break even levels.

In total c. £670k of non recurring costs were incurred in the year. These resulted from the 'Excel' programme, the need for downsizing in some of our businesses, the decision to close our Taiwan systems capability and the additional stock write off.

Cost savings, together with the substantial improvement in inventory levels resulting from this programme are already feeding through in current results. The ability to deliver product in one quarter of the time previously taken and indeed ahead of our competitors, we believe will give us a further important edge in the market place providing another source of future sales growth. Our effort is firmly focused on this objective.

Important new products were launched during the year, including advanced transducers which have contributed to over 40% growth in the OEM (Original Equipment Manufacturer) sector of our market.

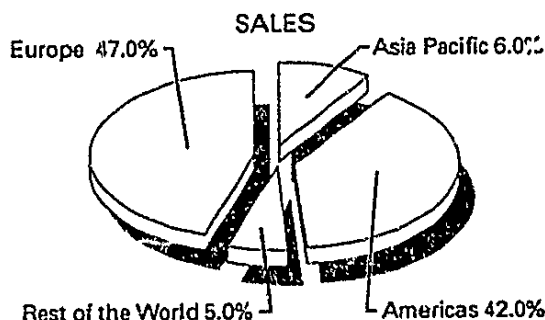


REVIEW OF OPERATIONS

Business development strategies remain targeted on achieving balanced portfolios across our three geographic sectors: America, Europe; and the Pacific Rim, and across four market sectors: Process; Light Industrial; OEM; and Ambient air.

Although sales of over £2.2m of environmental business were realised in 1993, primarily in the USA & UK, the state of legislation and enforcement did not yield the anticipated worldwide results from environmental products. The environmental sector does remain, however, an important part of our future and one at which we are targeting major new products.

Trading



Americas

1993 represented another year of difficult market conditions, and resulting challenges in the Americas. Poor economic conditions in the USA led to a reduction in demand for industrial analysers in traditional markets such as chemical and petrochemical industries. This in turn translated into a highly competitive market place as competition fought for the resulting reduced level of business potential. Despite this scenario, we maintained margins and achieved a growth in USA domestic business of 11% over 1992 levels. This was accomplished by the aggressive promotion of Servomex strengths which centre on technology, quality and after sales support, as well as by applying highly focused and determined effort on environmental, FDA (Food and Drug Administration) transfilling, OEM transducer and service opportunities.

Installation of a new agent network in Canada, coupled with the close support of all western hemisphere agents, led to good growth in our Canadian and South American markets.

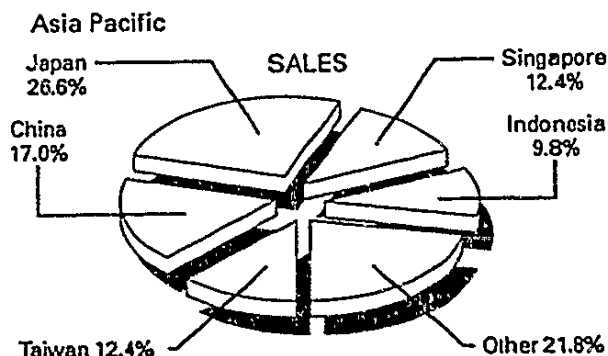
Europe

Whilst France, UK, Germany, Holland and Scandinavia remained weak we succeeded in greatly improving our position in the former Eastern block countries. By strengthening and

supporting our distributors in these countries orders for 1993 were more than 40% higher than those for 1992.

The European petrochemical market in particular remains weak, with over capacity resulting in a fall off in demand for our products. The wide applications base of Servomex products has enabled us to offset this downturn by deepening penetration into other markets, such as environmental. Following a concerted programme in support of our local agent we have been particularly successful in selling to Italian engineering contractors handling overseas projects.

Trading levels in France continued to be severely depressed with a 30% drop in orders.



Despite the slowing down of some economies in the Asia Pacific region we achieved an excellent performance with an overall 14% growth. In particular we saw business grow by over 50% in Japan as a result of joint efforts with our agent towards market diversification.

In China we have formed a 'joint venture', CNTIC - Servomex, which is targeting specific key market sectors. Orders have resulted very quickly, and we are giving close support to this potentially very large market.

In the third quarter we took the decision to close our Kaohsiung systems capability, enabling us to focus our attentions more closely on developing the markets for our higher added value transducer and analyser products. We have further reinforced our capabilities at our Taipei company with expatriate Technical and Service Managers.

Rest of the World

South Africa continued to be an important growth market. In the year over 30 of our new 2550 multi-component infrared analysers were successfully installed and operated in the SASOL III facility.

The removal of government financial restrictions in India over the last two years has opened up

REVIEW OF OPERATIONS

this market. Following the appointment of a new agent in 1992, with support from us, we have seen business in the sub-continent grow in the year and we are very optimistic for its future potential.

Australasia was a disappointment and we suffered a setback with the liquidation of our Australian agent.

Scottish Anglo

1993 was one of the most difficult trading years experienced in the Ambient Gas Monitoring market. As a consequence of depressed overall business levels there was a need at mid year to reduce breakeven levels and consolidate our position for the future.

We did, however, score some notable successes, particularly £200k of orders for telephone exchange gas monitoring systems and a large contract to supply analysers for the MOD Air Diving Chamber Build Programme, and inroads were made into the vast Russian gas monitoring market.

Corporate

Manufacturing

As part of our commitment to delight our customers, Manufacturing Division is implementing its 'Excel' development programme aimed at achieving world class levels of performance. Manufacturing lead times are being reduced from weeks to days, inventory is being halved and delivery accuracy is being raised towards the target of 100%.

This radical programme introduces the concept of 'mini-business' manufacturing cells and involves a flatter organisation structure, regenerated production areas and new business processes based on Just in Time disciplines and vendor partnerships. During the third quarter the

new organisation structure was put in place, key positions filled using professionally run assessment centres ensuring the precise 'fit' of person to job - followed by extensive training at all levels.

Following development of a make-v-buy strategy to ensure we focus on core competences, five cells are being established with emphasis being put not only on the quality of the processes, but also on the quality of working environment.

The new business processes are being implemented in parallel with the physical changes. Customer orders are converted to demand lists and passed to product Cells. Material flow between Cells and from partnership suppliers is controlled by 'Kanbans'.

The programme, which was devised in the first half of 1993, began implementation in the last quarter of 1993 and is already delivering significant benefits.

Product Development

Throughout a difficult year we maintained our level of investment in our product development programme. The research department was re-housed in a modern purpose-built environment, whilst our new training and simultaneous engineering centre became a hub of activity in constant use by the simultaneous engineering teams.

Training and team building activities ranked high in our personal development programme.

The photometric 2500 Series process IR analyser range saw the addition of the 2550 multicomponent analyser and the 2510 gas filter correlation analyser.

The miniature IR 1500 Series photometers were introduced into the 1400 and 1450 Series of light industrial analysers, whilst the 571 Portable

REVIEW OF OPERATIONS

paramagnetic oxygen analyser was specially adapted to meet the exacting NASA requirements for shuttle launch area safety.

In the transducers sector we responded to the needs of the culture incubator market and developed a miniature self contained IR CO₂ probe which is now completing evaluation. The 1500 Series was extended into methane and carbon monoxide and work continues into extending it to lower concentrations. Field trials of our unique patented combustibles sensor in differing and demanding flue gases have proved successful and the technology is in the process of being introduced into production.

Marketing

Our drive towards a fully market led culture continued and gained momentum with the appointment in the third quarter of a Group Marketing Manager with experience in consumer and industrial markets. Several market research projects are currently in hand with the objective of ensuring that new and existing projects fully meet market requirements.

A promotional programme for 1994 is underway so that Servomex products continue to be in the forefront of our customers' minds.

Working Capital

Receivables continued to be kept under tight rein in the year despite the pressures from extended payment terms more normal in our emerging markets.

Capex

Capital expenditure, at £994k was maintained at close to the 1992 level. This included a £160k turning centre for our new parts cell which rapidly demonstrated major cost savings, more than justifying its anticipated pay back of under two years.

Environment

The Company has a corporate-wide commitment to good international environmental standards and continuously strives to conduct its affairs in a responsible fashion to protect people and enhance the environment.

The Company is committed to being an environmentally responsible member of the local, national and worldwide communities in which it operates.

Additionally the Company's products are being used in environmental monitoring applications and our product development effort is directed in part towards detection and measurement of ever lower dilutions of pollutant gases

People

Servomex personnel worldwide have all been personally affected in 1993 by changing responsibilities and organisations, difficult personnel decisions, cost pressures and fickle market places. Without exception they have come through strengthened, reinvigorated and deserving of the utmost credit and respect.

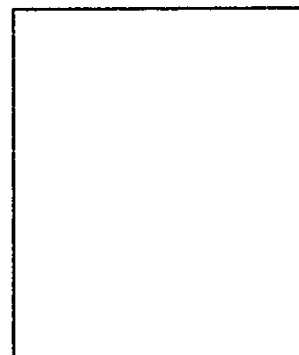
Outlook

The prospects for profitable growth in 1994 are good with our reduced cost base, improving margins, exchange benefits and improving leadtimes.

ROGER HARROP

Chief Executive

28 March 1994





DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31 December 1993.

Principal activity and business review

The principal activity of the Group is the design, manufacture and sale of gas analysis and gas monitoring equipment, instrumentation and systems for distribution worldwide.

Results for the year

The Group achieved a profit before taxation of £1,521,000 (1992: £2,109,000). The retained profit for the financial year amounted to £289,000 (1992: £800,000) which was transferred to reserves. An interim dividend of £187,000 or 1.9p per share was paid in respect of the 9,844,124 ordinary shares in issue on 5 November 1993 (1992: £187,000).

The Directors are recommending the payment of a final dividend of £450,000 or 4.5p per share, (1992: 4.0p) in respect of the 9,844,124 ordinary shares in issue at the year end and in respect also

of the 158,760 ordinary shares issued up to 18 March 1994 in satisfaction of share options exercised under the SAYE scheme. This will bring the total dividend for the year to 6.4p (1992: 5.9p). The final dividend will be payable on 20 May 1994 to shareholders on the register at the close of business on 29 April 1994.

The Chairman's statement and Chief Executive's review of operations together provide an overview of the results for 1993 and information concerning the Group's prospects for 1994.

Research and development

The Group's products are regarded by the Directors as advanced technology and as such require constant update and renewal to remain competitive.

It is the policy of the Group to devote significant funds each year towards the exploitation of new technology within the gas analysis and gas monitoring fields.

Directors

The Directors of Servomex plc are listed below:

T A Clements	Chairman (Appointed 2 April 1993)
R Harrop	Chief Executive
R M Gordon	Financial Director and Company Secretary
L F James	Operations Director (Appointed 24 March 1994)
R M A Kocache	Business Development and Research Director
R F Kydd	Engineering Director
P G Parnell	Director and General Manager, UK Division
D A Willett (USA)	Director and President Servomex Company Inc (Appointed 24 March 1993)
C C Gregory	Non-executive Director
J R Burton	(Resigned 7 July 1993)
M P Langridge	(Resigned 22 March 1993)
D R Winrow	(Resigned 15 June 1993)

T A Clements aged 57 is a former Chief Executive and Chairman of Lands and Gyr Communications (UK) Ltd.

C C Gregory aged 50 is Group Finance Director of Pentos Plc and a non-executive director of Goldsmiths Plc. He became a Director on 22 February 1989.

Each of the Executive Directors has a service contract which can be terminated by the Company or by themselves by giving one year's notice.

The Executive Directors are eligible to participate in bonus incentive schemes based upon growth in earnings. Directors' emoluments under these schemes amount to £10,271.

DIRECTORS' REPORT

As at 31 December 1993 the Directors and their families had the following interests in the ordinary share capital of Servomex plc:

	31 December 1993		31 December 1992	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R M Gordon	300,000	—	300,000	—
R M A Kocache	257,795	46,450	262,325	37,920
R F Kydd	243,730	—	243,730	—
P G Farnell	278,800	—	278,800	—
D A Willett	27,240	—	27,240	—

There have been no changes in the above shareholdings between 31 December 1993 and 18 March 1994.

None of the Directors had a material interest in any significant contract undertaken by the Company or its subsidiaries during the year.

Substantial shareholders

Apart from the Directors' interests shown above, as at 18 March 1994, the Directors have been advised of the following persons holding or being beneficially interested in more than 3% of the share capital of the Company:

	Ordinary shares	%
Framlington Investment Management Limited	936,498	9.36
Postel Investment Management Limited	878,500	8.78
Standard Life Assurance Company	839,739	8.39
Equitable Life Assurance Society	672,800	6.73
Gartmore Investment Management Limited	559,740	5.60
Dunedin Fund Managers	350,000	3.50
Britannic Assurance PLC	320,000	3.20

Share options

Options in respect of a total of 552,800 ordinary shares have been granted for nominal consideration and are outstanding under the Company's Executive Share Option Scheme to certain employees of the Group.

Included within this are options issued to directors of:

	Option Price	Earliest Exercise Date	Expiry Date	1993 Number	1992 Number
R Harrop	177p	1/4/1995	1/4/2005	75,000	75,000
	177p	1/4/1997	1/4/2007	75,000	75,000
L F James	220p	6/10/1998	6/10/2008	30,000	—
D A Willett	125p	10/4/1992	10/4/2002	40,600	40,600

Options in respect of a total of 166,040 shares have been granted for a consideration of 71.4p per share and were outstanding at December 1993 under the Company's Savings Related Share Option Scheme to certain employees of the Group. These options became exercisable on 1 January 1994. As at 18 March 1994 158,760 ordinary shares have been issued in respect of options exercised under this scheme.

DIRECTORS' REPORT

Significant changes in tangible fixed assets

Movements in tangible fixed assets during the year are set out in note 11 to the financial statements.

Employment of disabled persons

The Group's policy and practice is to maintain a working environment which gives due regard to the needs of disabled persons. Full and fair consideration is given to applications for employment from the disabled who have appropriate skills, experience or qualifications.

Employees who have become disabled are encouraged, as far as practicable, to continue with their existing work, or are provided with such training as will enable them to take up alternative work within the Group. The training, career development and promotion of a disabled person is, as far as possible, identical to that of a person fortunate enough not to suffer from a disability.

Employee involvement

The success of the Company depends substantially upon the quality, experience and motivation of its employees. All employees are involved in the development of a winning team culture and local decision making. By means of regular interactive briefing and discussion meetings they are kept informed of the Company's objectives and strategies.

Charitable contributions

Charitable contributions for the year amounted to £680 (1992: £1,307). No contributions were made to political parties.

Directors' and Officers' Insurance

The Company has taken out, as permitted under section 310 (3) of the Companies Act 1985, insurance for its officers against liabilities in relation to their duties for the Group.

Close Company

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

The auditors, Price Waterhouse, have expressed their willingness to continue in office and resolutions re-appointing them and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

Special Business

The following resolutions will be proposed as special resolutions at the Annual General Meeting:

Resolutions 5 and 6

Continuing the power of the Directors to allot shares generally and shares otherwise than pro-rata to existing shareholders. This provides flexibility for any future minor acquisitions or working capital requirement.

By order of the Board

R M Gordon
Secretary
28 March 1994

AUDITORS REPORT TO THE SHAREHOLDERS OF SERVOMEX plc

We have audited the financial statements on pages 18 to 33 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 22.

Respective responsibilities of directors and auditors

As described below 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 other irregularity or error. 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 affairs of the Company and of the Group as at 31 December 1993 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors
Redhill
28 March 1994

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 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.

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December

		Restructuring costs included in 1993 results	1993	1992
	Notes	£'000	£'000	£'000
Turnover	2		22,696	19,725
Cost of sales			(11,720)	(10,349)
Gross profit			10,976	9,376
Distribution costs			(5,369)	(4,422)
Administrative expenses		(110)	(2,167)	(1,794)
Research and development expenses		(10)	(1,353)	(1,071)
Other operating (expenses)/income		(448)	(406)	150
Operating profit	2, 3 & 4	(568)	1,681	2,239
Interest receivable and similar income	5		14	61
Interest payable and similar charges	6		(174)	(191)
Profit on ordinary activities before taxation			1,521	2,109
Taxation on profit on ordinary activities	7		(608)	(734)
Profit on ordinary activities after taxation			913	1,375
Minority interests			13	9
Profit for the financial year			926	1,384
Dividends paid and proposed	9		(637)	(584)
Profit transferred to reserves			289	800
Earnings per share	10		9.4p	14.1p

A statement of movement on reserves is given in note 19.

Turnover and profit on ordinary activities for the year relates wholly to continuing operations.

The annexed notes form part of these financial statements.



BALANCE SHEETS

as at 31 December

	Notes	GROUP		COMPANY	
		1993 £'000	1992 £'000	1993 £'000	1992 £'000
Fixed assets					
Tangible assets	11	3,466	3,079	3,148	2,734
Investments	12	15	15	7,135	7,127
		<u>3,481</u>	<u>3,094</u>	<u>10,283</u>	<u>9,861</u>
Current assets					
Stocks	13	2,702	3,426	1,541	1,971
Debtors	14	5,755	4,719	4,501	4,058
Cash at bank and in hand		1,087	1,324	600	523
		<u>9,544</u>	<u>9,469</u>	<u>6,642</u>	<u>6,552</u>
Creditors:					
amounts falling due within one year	15	(3,815)	(4,494)	(3,947)	(4,174)
		<u>5,729</u>	<u>4,975</u>	<u>2,695</u>	<u>2,378</u>
Net current assets					
		<u>9,210</u>	<u>8,069</u>	<u>12,978</u>	<u>12,239</u>
Total assets less current liabilities					
Creditors:					
amounts falling due after more than one year	15	(2,062)	(1,269)	(6,487)	(5,635)
Provisions for liabilities and charges	16	(82)	(8)	(82)	(8)
		<u>7,066</u>	<u>6,792</u>	<u>6,409</u>	<u>6,596</u>
Net assets					
Capital and reserves					
Called up share capital	17	492	492	492	492
Share premium account	17	1,313	1,301	1,313	1,301
Other reserves	18	1,355	1,355	2,256	2,256
Profit and loss account	19	3,891	3,616	2,348	2,547
		<u>7,051</u>	<u>6,764</u>	<u>6,409</u>	<u>6,596</u>
Shareholders' funds	20				
Minority interests		15	28	—	—
		<u>7,066</u>	<u>6,792</u>	<u>6,409</u>	<u>6,596</u>

The financial statements were approved by the Board of Directors on 28 March 1994 and were signed on it's behalf by.

R HARROP }
R M GORDON } Directors

The annexed notes form part of these financial statements

GROUP CASH FLOW STATEMENT

For the year ended 31 December 1993

	1993		1992	
	£'000	£'000	£'000	£'000
Net cash flow from operating activities (note 25)		2,253		2,697
Returns on investments and servicing of finance				
Interest received	71		61	
Interest paid	(232)		(194)	
Dividends paid	(580)		(570)	
Net cash outflow from returns on investments and servicing of finance		(741)		(703)
Taxation				
UK corporation tax paid	(472)		(770)	
Overseas tax paid	(343)		(135)	
Tax paid		(815)		(905)
Investing activities				
Purchase of tangible fixed assets	(994)		(978)	
Purchase of subsidiary undertakings (net of cash and cash equivalents acquired)	—		(10)	
Sale of tangible fixed assets	95		19	
Net cash outflow from investing activities		(899)		(969)
Net cash (outflow)/inflow before financing		(202)		120
Financing				
Issue of share capital	12		142	
Reduction in secured loans	(45)		(306)	
Capital element of finance lease rental payments	(48)		312	
Net cash outflow from financing (note 28)		(81)		(352)
Increase in cash and cash equivalents (note 26)		(283)		(232)

OTHER PRIMARY STATEMENTS

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Statement of total recognised gains and losses				
For the year ended 31 December 1993				
Profit/(loss) for the financial year	926	1,384	438	(262)
Foreign exchange differences taken directly to reserves	(6)	177	—	—
Total gains/(losses) recognised since last annual report	920	1,561	438	(262)

	Group	
	1993	1992
	£'000	£'000
Note of historical cost profits and losses		
Reported profit on ordinary activities before taxation	1,521	2,109
Difference between a historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	8	8
Historical cost profit on ordinary activities before taxation	1,529	2,117
Historical cost profit for the year retained after taxation, minority interests and dividends	297	808

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 1993

1. Accounting policies

Basis of accounting

The Group prepares its annual financial statements under the historical cost convention, with the exception of certain freehold land and buildings, which are included at a valuation, and in accordance with applicable Accounting Standards.

Basis of consolidation

The results of all the Group's subsidiary undertakings are included in the consolidated profit and loss account from the date of acquisition.

Turnover

Turnover represents the value of goods and services invoiced to customers during the year excluding all sales taxes.

Translation of foreign currencies

Transactions arising in foreign currencies are translated into sterling at the approximate rates of exchange ruling at the time they arise.

Exchange gains and losses are credited or charged to the profit and loss account. Assets and liabilities denominated in foreign currencies are translated into sterling at rates ruling at the balance sheet date.

The profit and losses of the subsidiary undertakings are translated into sterling at the average rates prevailing during the year. Where foreign currency assets and liabilities are covered by forward contracts they are translated at the appropriate forward rate.

Differences arising from the retranslation of opening net assets of the subsidiary undertakings are dealt with through reserves.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets in equal annual instalments over their estimated useful lives as follows:

Freehold property	50 years
Leasehold property	5 to 50 years
Plant and machinery	4 to 16 years
Motor vehicles	4 to 5 years

Goodwill

Goodwill is calculated by reference to the surplus of the costs of acquiring the Company's subsidiary undertakings over the fair values of the net assets acquired. Goodwill arising on consolidation and purchased goodwill are written off immediately against reserves.

Finance leases

Where tangible fixed assets are financed by leasing agreements that give rights approximately equivalent to ownership (finance leases) the assets are treated as if they have been purchased outright. The corresponding lease commitments are treated as obligations to the lessor. Leasing payments are treated as consisting of capital and interest elements with the interest charged against revenue. Assets held under finance leases are depreciated over the estimated useful life of the asset or the lease period, whichever is the lower.

All other leases are operating leases, the annual rentals of which are charged to the profit and loss account on a straight line basis over the term of the lease.

Fixed asset investments

Fixed asset investments are stated at cost, but are written down to realisable value if, in the opinion of the Directors, there has been a permanent diminution.

Stocks

Stocks are recorded at the lower of cost (including an appropriate proportion of overheads) and net realisable value.

Cost is calculated on a first in first out basis and represents the expenditure incurred in the normal course of business in bringing the stocks to their present location and condition.

Deferred taxation

Deferred taxation is provided only to the extent that it is considered probable that a liability will crystallise in the foreseeable future.

Research and development

All research and development expenditure is written off in the period in which it is incurred.

Research grants

Research grants receivable from the UK government under approved research projects are credited to the profit and loss account in the period that the grants are confirmed.

Pension cost

Regular pension costs are charged to the profit and loss account in a manner which provides a substantially level percentage of current and expected future pensionable payroll.

Any variations from regular cost are charged or credited to the profit and loss account over the average expected remaining service life of employees.

NOTES TO FINANCIAL STATEMENTS

2. Segmental reporting

In the opinion of the Directors the Group operates in one class of business.

The geographical analysis of turnover is as follows:

	By destination		By origin	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
United Kingdom	5,120	5,051	14,453	13,828
Rest of Europe	5,575	5,484	2,491	2,494
Americas	9,373	7,187	9,419	6,960
Asia Pacific	1,366	1,201	1,018	495
Rest of the World	1,262	802	—	—
	<u>22,696</u>	<u>19,725</u>	<u>27,381</u>	<u>23,777</u>
Inter territorial sales	—	—	(4,685)	(4,052)
	<u>22,696</u>	<u>19,725</u>	<u>22,696</u>	<u>19,725</u>

The Group's operating profit/(loss) is generated by subsidiaries in the following geographical locations:

	1993 £'000	1992 £'000
United Kingdom	951	1,789
Rest of Europe	(86)	81
USA	910	408
Asia Pacific	(94)	(39)
	<u>1,681</u>	<u>2,239</u>

In the opinion of the Directors disclosure of operating profit data by geographical destination would be prejudicial to the interests of the Group.

Analysis of Group net assets/(liabilities) is as follows:

	1993 £'000	1992 £'000
United Kingdom	5,158	4,980
Rest of Europe	568	869
USA	3,036	2,074
Asia Pacific	73	112
	<u>8,835</u>	<u>8,035</u>
Interest bearing net liabilities	(1,769)	(1,243)
	<u>7,066</u>	<u>6,792</u>

NOTES TO FINANCIAL STATEMENTS

3. Operating profit

Is arrived at after charging/(crediting):

Depreciation of owned assets	504	397
Depreciation of assets held under finance leases	50	14
Auditors' remuneration: - Audit fees	66	57
- Other emoluments	10	20
Operating lease rentals in respect of plant and machinery	307	267
Other operating lease rentals	314	266
Finance lease charges	23	6
Exchange loss/(gain)	16	(136)

and after charging restructuring costs

Redundancy/termination costs	436	—
Kaohsiung factory closure	22	—
UK manufacturing reorganisation	100	—
Other	10	—

Total restructuring costs

1993
£'000

1992
£'000

4. Directors and employees

The average weekly number of persons employed by the Group during the year was:

	31/12/93 Number	1993 Number	1992 Number
UK	257	281	298
USA	38	37	35
Rest of Europe	19	20	20
Taiwan	9	12	13
Total	323	350	366

Staff costs:

Salaries	6,677	6,000
Social security costs	854	700
Other pension costs	167	142

1993
£'000

1992
£'000

7,698

6,842

NOTES TO FINANCIAL STATEMENTS

Directors received the following remuneration:

Directors' fees
Directors' emoluments
Directors' pension contributions
Compensation for loss of office

1993 £	1992 £
31,667	22,167
444,353	405,074
13,401	12,314
53,000	—
542,421	439,555

included within the above are:

Emoluments of Chairmen

J R Burton

T A Clements

Emoluments of highest paid director

Pension Contributions
1993
£

1992
£

Other Emoluments
1993
£

1992
£

—	1,208
—	—
2,434	2,217

5,000	47,149
15,000	—
89,334	71,095

Number of Directors whose emoluments
(excluding pension contributions) are within the following ranges.

£0 - £5,000

£10,001 - £15,000

£45,001 - £50,000

£50,001 - £55,000

£70,001 - £75,000

£75,001 - £80,000

£85,001 - £90,000

1993 Number	1992 Number
1	1
2	1
1	7
4	—
1	1
1	—
1	—

Included in the above are the emoluments of D A Willett (President - Servomex Company Inc)

5. Interest receivable

Interest receivable represents income in respect of short term deposits.

6. Interest payable

Interest on bank overdrafts and other loans

Interest on long term borrowings

1993 £'000	1992 £'000
95	41
79	150
174	191

NOTES TO FINANCIAL STATEMENTS

7. Taxation on profit on ordinary activities

Based on the results for the year:

UK corporation tax at 33% (1992: 33%)

Overseas taxation

Deferred taxation charge

1993 £'000	1992 £'000
201	563
333	171
534	734
74	—
608	734

8. Profit on ordinary activities after taxation

As permitted by Section 230 of the Companies Act 1985 the profit and loss account of Servomex plc is not presented as part of these financial statements. The profit after taxation for the year attributable to Servomex plc dealt with in the accounts of the Company is £438,000 (1992: £262,000 - loss). The holding company's profit and loss account was approved by the Board on 28 March 1994.

9. Dividends paid and proposed

In respect of 9,844,124 ordinary shares of 5p (1992: 9,835,724):

Adjustment to prior year final dividend

Interim dividend paid at 1.9p per share (1992: 1.9p)

Proposed final dividend at 4.5p per share (1992: 4.0p)

1993 £'000	1992 £'000
—	4
187	187
450	393
637	584

The proposed final dividend for 1993 takes account of the 158,760 shares issues issued up to 18 March 1994 in respect of share options exercised under the SAYE scheme.

10. Earnings per share

Earnings per share have been calculated on profit after taxation and minority interests of £926,000 (1992: £1,384,000) divided by the weighted average of 9,840,409 (1992: 9,801,195) ordinary shares in issue. Earnings per share would not be materially different if the shares under option were taken into the calculation.

NOTES TO FINANCIAL STATEMENTS

11. Tangible fixed assets

Group	Freehold property £'000	Short leasehold property £'000	Plant and machinery £'000	Total £'000
Cost or valuation				
At 1 January 1993	1,605	262	4,263	6,130
Additions	216	87	691	994
Disposals	—	(30)	(483)	(513)
Transfers	—	19	(19)	—
Exchange adjustments	—	(3)	6	3
At 31 December 1993	1,821	335	4,458	6,614
Depreciation				
At 1 January 1993	41	78	2,932	3,051
Charge for the year	18	32	514	564
Disposals	—	(24)	(445)	(469)
Transfers	—	11	(11)	—
Exchange adjustments	—	(2)	4	2
At 31 December 1993	59	95	2,994	3,148
Net book amount				
At 31 December 1993	1,762	240	1,464	3,466
At 31 December 1992	1,564	184	1,331	3,079
Company				
Cost or valuation				
At 1 January 1993	1,605	137	3,535	5,277
Additions	216	76	587	879
Disposals	—	—	(422)	(422)
At 31 December 1993	1,821	213	3,700	5,734
Depreciation				
At 1 January 1993	41	43	2,459	2,543
Charge for the year	18	13	419	450
Disposals	—	—	(407)	(407)
At 31 December 1993	59	56	2,471	2,586
Net book amount				
At 31 December 1993	1,762	157	1,229	3,148
At 31 December 1992	1,564	94	1,076	2,734

Certain freehold land and buildings were independently valued at 31 December 1990 at £1 585 000. The historical cost net book value of the revalued assets at 31 December 1993 was £221 000 (1992: £223 000). The Directors have been advised that the market value of land that has been included in the balance sheet at cost of £14 000 is considerably in excess of the net book amount.

Included in plant and machinery are assets held under finance leases with a cost of £332 000 (1992: £424 574) and a net book value of £248 000 (1992: £307 729).

NOTES TO FINANCIAL STATEMENTS

12. Investments

Group	Company
Other participating interests £'000	Shares in subsidiary undertakings £'000

At 31 December 1993

15	7,135
----	-------

The Group's subsidiary and related undertakings are listed below:

Wholly owned
Servomex (UK) Limited*
Servomex S.A.R.L.
Servomex B.V.
Servomex Company, Inc
Servomex Asia Pacific Limited
Servomex Overseas Limited*
TIL83 Limited*

Incorporated and operating in
England
France
Netherlands
United States of America
Taiwan
England
England

Partly owned:

Scottish Anglo Environmental Protection Limited* 78.5% Incorporated and operating in England

* Of the above, Companies marked* are owned by Servomex plc.

The Group has a 20% participating interest in the ordinary share capital of CODE International Limited which is treated as a trade investment in these accounts.

During the year the Company bought out for £8,000 part of the minority interest in Scottish Anglo Environmental Protection Limited. There were no other movements in investments during the year.

13. Stocks

Raw materials and consumables
Work in progress
Finished goods

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Raw materials and consumables	896	529	728	488
Work in progress	943	1,640	659	1,139
Finished goods	863	1,257	154	344
	<u>2,702</u>	<u>3,426</u>	<u>1,541</u>	<u>1,971</u>

In the opinion of the Directors the replacement cost of the Group's stocks does not differ significantly from the amount at which they are stated in the balance sheet.

14. Debtors

Trade debtors
Amounts owed by subsidiary undertakings
Other debtors
Prepayments
Prepaid pension contributions
ACT recoverable
Overseas tax recoverable

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Trade debtors	4,574	3,606	1,414	1,203
Amounts owed by subsidiary undertakings	—	—	2,181	1,945
Other debtors	259	99	147	78
Prepayments	493	368	396	252
Prepaid pension contributions	250	269	250	269
ACT recoverable	113	311	113	311
Overseas tax recoverable	66	66	—	—
	<u>5,755</u>	<u>4,719</u>	<u>4,501</u>	<u>4,058</u>

NOTES TO FINANCIAL STATEMENTS

Both the Group's and the Company's debtors are recoverable within one year, with the exception of those items noted below.

- Based upon the current pension funding plans, the prepaid pension contributions are recoverable after more than one year.

- ACT totalling £113,000 in respect of the Company and the Group is recoverable after more than one year.

15. Creditors

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Amounts falling due within one year:				
Medium term loans, bank loans, and overdrafts	715	1,539	715	1,066
Trade creditors	973	702	458	346
Amounts owed to subsidiary undertakings	—	—	1,563	1,116
Other creditors	126	267	32	110
Taxation and social security	170	163	115	77
Accruals and deferred income	997	611	255	244
Corporation tax	140	567	133	570
ACT payable	167	194	167	194
Dividends payable	450	393	450	393
Obligations under finance leases	77	58	59	58
	<u>3,815</u>	<u>4,494</u>	<u>3,947</u>	<u>4,174</u>

Amounts falling due after more than one year:

Obligations under finance leases:

Due in 1 - 2 years

Due in 2 - 5 years

Amounts owed to subsidiary undertakings

Payments under medium term loan:

Due in 1 - 2 years

Due in 2 - 5 years

Due after 5 years

Medium term loans totalling £2,014,000 (1992: £2,004,000) are secured by a fixed and floating charge over the assets of the Company's subsidiary undertakings.

	62	77	62	59
	125	187	125	187
	—	—	4,425	4,384
	250	1,005	250	1,005
	1,375	—	1,375	—
	250	—	250	—
	<u>2,062</u>	<u>1,269</u>	<u>6,487</u>	<u>5,635</u>

16. Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation:

Deferred taxation: At 1 January 1993

Transfe. from Servomex (UK) Limited

Profit and loss account

At 31 December 1993

Deferred taxation comprises:

Accelerated capital allowances

Other timing differences

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
	8	8	8	(8)
	—	—	—	8
	74	—	74	8
	<u>82</u>	<u>8</u>	<u>82</u>	<u>8</u>
	87	8	87	8
	(5)	—	(5)	—
	<u>82</u>	<u>8</u>	<u>82</u>	<u>8</u>

NOTES TO FINANCIAL STATEMENTS

The full potential amount of deferred taxation has been provided except that no provision has been made for corporation tax on any capital gains that might arise on the sale by the Group of its revalued land and buildings, as there is no present intention of disposal.

No provision is made for deferred tax which may arise if the accumulated profits of overseas subsidiaries were remitted to the United Kingdom. This accords with the current intention of retaining profits in the overseas entities and the availability of double taxation relief.

17. Called up share capital and share premium account

The Company's share capital as at 31 December was as follows:

	1993 Number	1993 £'000	1992 Number	1992 £'000
Authorised Ordinary shares of 5p each	13,000,000	650	13,000,000	650
Allotted and fully paid Ordinary shares of 5p each				
Balance at 1 January 1993	9,835,724	492	9,721,624	486
Shares issued during the year	8,400	—	114,100	6
Balance at 31 December 1993	<u>9,844,124</u>	<u>492</u>	<u>9,835,724</u>	<u>492</u>
Share premium account				
Balance at 1 January 1993		1,301		1,165
Shares issued during the year		12		136
Balance at 31 December 1993		<u>1,313</u>		<u>1,301</u>

18. Other reserves

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Revaluation reserve	1,355	1,355	—	—
Non-distributable reserve	—	—	2,256	2,256
	<u>1,355</u>	<u>1,355</u>	<u>2,256</u>	<u>2,256</u>

19. Profit and loss account

	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Balance at 1 January 1993	3,616	2,642	2,547	3,567
Retained profit / (loss)	289	800	(199)	(846)
Goodwill arising	(8)	(10)	—	(174)
Exchange movements	(6)	177	—	—
Adjustment to minority interest	—	7	—	—
Balance at 31 December 1993	<u>3,891</u>	<u>3,616</u>	<u>2,348</u>	<u>2,547</u>

The cumulative amount of goodwill which has been written off against reserves at the end of the current year amounts to £2,682,000.



NOTES TO FINANCIAL STATEMENTS

	Group		Company	
20. Reconciliation of movements in shareholders' fund	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Profit for the financial year	926	1,384	438	(262)
Dividends	(637)	(584)	(637)	(584)
Other recognised gains and losses relating to the year (net)	(6)	177	—	—
New share capital subscribed	12	142	12	142
Goodwill arising	(8)	(10)	—	(174)
Adjustment to minority interest	—	7	—	—
Net addition to shareholders' funds	287	1,116	(187)	(878)
Opening shareholders' funds	6,764	5,648	6,596	7,474
Closing shareholders' funds	7,051	6,764	6,409	6,596

21. Capital commitments	Group		Company	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Capital expenditure authorised and not contracted for	409	120	409	—
Capital expenditure contracted for but not provided	393	162	393	—

22. Commitments under operating leases

At 31 December 1993 the Group had the following annual commitments under non-cancellable operating leases:

	Land and Buildings		Other	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Expiring within one year	42	46	30	29
Expiring between one and five years	104	93	198	183
Expiring after five years	130	130	—	—
	276	269	228	212

23. Contingent liabilities

At 31 December 1993 the Group had contingent liabilities in respect of guarantees to third parties amounting to £86,560 (1992: £63,561).

NOTES TO FINANCIAL STATEMENTS

24. Pension costs

The Group has contributory and non-contributory pension schemes providing retirement benefits for the majority of employees and Directors. The main scheme, which covers 86% of scheme members, is of defined benefit type, the benefits being based on years of service and employees' final remuneration. The assets of this scheme are held in a separate administered fund.

The total pension cost for the Group was £167,000 (1992: £142,000), and included a credit of £94,000 (1992: £99,000) for variations from regular pension costs in respect of the amortisation of a surplus arising on the main UK Scheme.

At 31 December 1993, debtors included a prepayment of £250,000 (1992: £269,000) and creditors falling due within one year included a provision in respect of the main UK scheme of £10,000 (1992: £72,000).

United Kingdom Scheme

In the UK, approximately 190 employees are members of the Servomex Pension and Assurance Scheme ("the Scheme"), a funded, defined benefit scheme which was formed in 1959.

The contributions to the scheme are determined by a qualified actuary. The most recent formal valuation of the Scheme was as at 1 May 1990 using the Projected Unit Method. The assumptions which had the most significant effect on the results of the valuation are set out below:

Rate of return on investments	8.5% p.a.
Rate of pensionable salary increases	7.0% p.a.
Rate of dividend growth for equities	3.5% p.a.

As at 1 May 1990 the market value of the assets was £3,488,000 and the actuarial value of the assets was sufficient to cover 127% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension costs for accounting purposes have been determined by reference to an analysis as at 1 January 1993 using the Projected Unit Method. The assumptions in respect of salary increases and dividend growth have been changed from those used at the last formal valuation upon the advice of the actuary to the Scheme. The assumed rates of annual salary increases and dividend increases have been taken as 6% and 4.5% respectively. These changes have been made so that the calculated pension cost represents the actuary's best estimate.

The Company contributed to the Scheme at the rate of 7.9% of Pensionable Salaries to 1 May 1993. Due to the extent of the pension prepayment the Company decided to suspend its contribution from 1 May 1993 pending the results of the revaluation of the Scheme which took place as of that date. The employees contributed at 5% of Pensionable Salaries throughout the year. In accordance with actuarial advice and UK Statement of Standard Accounting Practice 24 the variation in the calculation of the account cost in respect of the experience surplus is being spread forward over 16 years, the average remaining service lives of the members. The results of the revaluation as at 1 May 1993 have been received and are currently under review by the Scheme trustees.

Overseas schemes

Certain retirement benefit costs relating to overseas schemes, where the charge to profit and loss account has been determined in accordance with best local practice using an accounting policy different to that of the Group, have been included in the accounts of the Group unadjusted. The effect of not adjusting these costs is immaterial.

NOTES TO FINANCIAL STATEMENTS

25. Reconciliation of operating profit to net cash inflow from operating activities

	1993 £'000	1992 £'000
Operating profit	1,681	2,239
Depreciation charges	564	411
Decrease in stocks	818	509
(Increase) in debtors	(1,152)	(381)
Increase/(Decrease) in creditors	395	(81)
(Profit) on sale of fixed assets	(53)	—
Net cash inflow from continuing operating activities	2,253	2,697

26. Analysis of changes in cash and cash equivalents during the year

	1993 £'000	1992 £'000
Balance at 1 January 1993	785	995
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	(283)	(232)
Effect of foreign exchange rate changes	8	22
Balance at 31 December 1993	510	785

27. Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1993 £'000	1992 £'000	Change in year £'000
Cash at bank and in hand	1,087	1,324	(237)
Bank overdrafts	(577)	(539)	(38)
	510	785	(275)

28. Analysis of changes in financing during the year

	Share Capital (Inc. share premium)		Medium term loans and finance lease obligations	
	1993 £'000	1992 £'000	1993 £'000	1992 £'000
Balance at 1 January 1993	1,793	1,651	2,279	2,481
Net cash outflows from financing activities before adjusting for exchange rate changes	—	—	(93)	(494)
Share capital issued	12	142	—	—
Effect of foreign exchange rate changes	—	—	91	292
Balance at 31 December 1993	1,805	1,793	2,277	2,279

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at Buxted Park Hotel, Buxted, Uckfield, East Sussex at 11.00 am on Friday, 6 May 1994 for the purposes of considering and, if thought fit, passing the following resolutions of which resolutions 1,2,3 and 4 will be proposed as ordinary resolutions and resolution 5 and 6 as special resolutions.

Ordinary business

1. To receive and adopt the Accounts and Report of the Directors and Auditors for the year ended 31 December 1993.
2. To declare a final dividend of 4 5p per share.
3. To re-appoint Price Waterhouse as Auditors and to authorise the Directors to fix their remuneration.
4. To elect L F James as a Director in accordance with the Articles of Association.

Special business

5. That the Directors be and are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of Section 80(2) of the Companies Act 1985 ('the Act')) of the Company up to an aggregate nominal amount of £150,043 (30% of issued share capital of the Company) for a period expiring on the conclusion of the Annual General Meeting of the Company held in 1995 (unless previously renewed, varied or revoked by the Company in General Meeting) save that the Company may prior to such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.

6. That subject to the passing of resolution 5 the Directors be and are hereby empowered pursuant to Section 95 of the Act to allot equity securities (within the meaning of Section 94(2) of the Act) of the Company pursuant to the authority conferred by resolution 5 as if Section 89 (1) of the Act did not apply to such allotment provided that this power:

A. shall expire on the conclusion of the Annual General Meeting of the Company held in 1995 save that the Company may prior to such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity

securities pursuant to any such offer or agreement as if the power conferred hereby had not expired, and

B. shall be limited to:

a. any allotments of equity securities in connection with a rights issue to holders of equity securities in proportion (as nearly as may be) to their then holdings subject only to the Directors having a right to make such arrangements in connection with such rights issue as they deem necessary or expedient:

i) to deal with equity securities representing fractional entitlements, and

ii) to deal with equity securities which the Directors consider it necessary or expedient to exclude from the offer on account of either legal problems under the laws of any territory or the requirements of any recognised regulatory body or any other Stock Exchange, and

b. any other allotments of equity securities for cash up to a maximum nominal amount of £25,007 (5% of issued share capital of the Company).

By order of the Board

R M Gordon Secretary 7 April 1994

Registered Office

Crowborough Hill Jarvis Brook Crowborough
East Sussex TN6 3DU

NOTES

(1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf and such proxy or proxies need not be a member or members of the Company. A proxy form is included with this document which if required should be completed and returned in accordance with instructions set out therein

(2) There will be available for inspection at the registered office of the Company during normal business hours from the date of this notice until the date of the Annual General Meeting and for at least fifteen minutes prior to and during the meeting:

(a) The register of Directors' interests kept by the Company in accordance with Section 325 of the Companies Act 1985 and

(b) Copies of the Directors' contracts of service with the Company

SERVOMEX PLC



I/We _____
of _____
being (a) member(s) of the above-named Company HEREBY APPOINT the Chairman of the Meeting or
(see Note (5)) _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 6 May 1994 and at every adjournment thereof, in relation to the business specified in the notice of Annual General Meeting.

As witness my/our hand(s) this _____ day of _____ 1994

Signature _____

Please indicate with an 'X' in the appropriate space below how you wish your votes to be cast. On receipt of this Form of Proxy duly signed, but without specific directions, the proxy will abstain or vote at his discretion.

ORDINARY BUSINESS

For Against

1	<input type="checkbox"/>	<input type="checkbox"/>	To receive and adopt the Report and Accounts
2	<input type="checkbox"/>	<input type="checkbox"/>	To declare a final dividend
3	<input type="checkbox"/>	<input type="checkbox"/>	To re-appoint Price Waterhouse as Auditors
4	<input type="checkbox"/>	<input type="checkbox"/>	To elect L F James as a Director in accordance with the Articles of Association

SPECIAL BUSINESS

For Against

5	<input type="checkbox"/>	<input type="checkbox"/>	To authorise the Directors to allot shares pursuant to Section 80(2) of the Companies Act 1985
6	<input type="checkbox"/>	<input type="checkbox"/>	To disapply Section 89 (1) of the Companies Act 1985

NOTES

1. This Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the offices of the Registrar not less than forty-eight hours before the time fixed for holding the meeting or adjourned meeting as the case may be.
2. Any alteration of the Form of Proxy must be initialed.
3. In the case of joint holders the signature of one holder will be sufficient.
4. If the appointer is a corporation, this Form of Proxy must be completed under its common seal or under the hand of some duly authorised officer or attorney.
5. If it is desired to appoint as proxy any person other than the Chairman of the Meeting his name and address should be inserted in the blank space, reference to the Chairman deleted and the alteration initialed. The proxy need not be a member of the Company.

To return your Form of Proxy please tear along the dotted line and fold the form as indicated on the reverse. No stamp is needed.

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