

**Directors:**

P R G Howarth  
E G Bugler

**Secretary and Registered Office:**

J R Cornacchia, Unit 18, Crawley Mill Industrial Estate, Witney, Oxon., OX8 5TJ

**REPORT OF THE DIRECTORS  
for the year ended 31st December 1998**

**Principal Activity**

The principal activity of the company is that of non destructive testing.

**Directors**

The above named served as directors throughout the year and their shareholdings during the year have been as follows:

	Ordinary shares of £1 each	
	31st December 1998	31st December 1997
P R G Howarth	49	49
E G Bugler	49	49

**Directors Responsibilities**

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

**Auditors**

A J Carter & Co, Chartered Accountants and Registered Auditors, have indicated their willingness to be reappointed under Section 384 of the Companies Act 1985.

The directors have prepared this report in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By Order of the Board



Director

Crawley, Witney  
17th September 1999



**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the financial statements on pages 3 to 9 which have been prepared under the historical cost convention and the accounting policies set out on pages 5 and 6.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 1, 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.

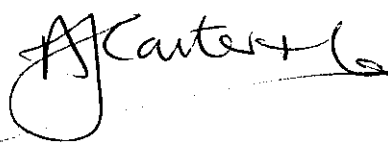
**BASIS OF OPINION**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on 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 the company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

  
Chartered Accountants  
and Registered Auditors

A J Carter & Co  
22b High Street  
WITNEY  
Oxon  
OX8 6HB

17th September 1999

**NON DESTRUCTIVE INSPECTION SERVICES LIMITED**

3.

		<b>PROFIT AND LOSS ACCOUNT</b> <b>for the year ended 31st December 1998</b>		<b>1997</b>
Notes		£		£
2.	TURNOVER	693,368		583,921
	Cost of sales	<u>477,482</u>		<u>346,439</u>
	GROSS PROFIT	215,886		237,482
	Administrative expenses	<u>175,473</u>		<u>153,211</u>
3.	OPERATING PROFIT	40,413		84,271
4.	Other income	1,321		5,459
5.	Interest payable	<u>(11,600)</u>		<u>(6,478)</u>
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	30,134		83,252
6.	TAXATION	<u>7,570</u>		<u>18,419</u>
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	22,564		64,833
	DIVIDENDS PAID	<u>(22,600)</u>		<u>(27,000)</u>
	(EXCESS DISTRIBUTION)/RETAINED PROFIT	(36)		37,833
	RETAINED PROFIT brought forward	<u>110,550</u>		<u>72,717</u>
	RETAINED PROFIT carried forward	<u>£110,514</u>		<u>£110,550</u>

There were no recognised gains or losses other than those included in the profit and loss account.

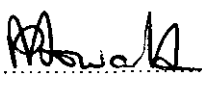

The notes on pages 5 to 9 form part of these financial statements.

# NON DESTRUCTIVE INSPECTION SERVICES LIMITED

4.

BALANCE SHEET		31st December 1998		1997
Notes		£	£	£
	<b>FIXED ASSETS</b>			
7.	Tangible assets		246,458	<u>178,110</u>
	<b>CURRENT ASSETS</b>			
	Bank and cash balances	18,541		24,004
8.	Debtors and prepayments	<u>79,067</u>		<u>108,179</u>
		97,608		132,183
9.	CREDITORS - Amounts falling due within one year	<u>123,456</u>		<u>151,877</u>
	<b>NET CURRENT LIABILITIES</b>		(25,848)	(19,694)
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		220,610	158,416
10.	CREDITORS - Amounts falling due after more than one year		(109,077)	(45,682)
	<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
6.	Deferred taxation		(919)	(2,084)
			<u>£110,614</u>	<u>£110,650</u>
	<b>CAPITAL AND RESERVES</b>			
11.	Called up share capital		100	100
	Profit and loss account		<u>110,514</u>	<u>110,550</u>
	Shareholders' funds		<u>£110,614</u>	<u>£110,650</u>

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies and with the Financial Reporting Standard for Smaller Entities (effective March 1999).

Directors

Approved by the Board

17th September 1999

The notes on pages 5 to 9 form part of these financial statements.

**NON DESTRUCTIVE INSPECTION SERVICES LIMITED**  
**NOTES TO THE ACCOUNTS**  
**for the year ended 31st December 1998**

5.

**1. Accounting Policies**

**i) Accounting Convention -**

The accounts of the company are prepared under the historical cost convention and incorporate the results of the principal activity which is described in the directors' report and which is continuing. The accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

**ii) Depreciation -**

Depreciation of tangible fixed assets is provided on a straight line basis, calculated at annual rates estimated to write off each asset over the term of its useful life. The rates in use are as follows:

Motor vehicles	- 25% per annum
Plant and equipment	- 20% per annum
Office equipment	- 33⅓% per annum

**iii) Work in Progress -**

Work in progress is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items. In the case of work in progress, cost comprises direct materials, direct labour and an appropriate proportion of manufacturing fixed and variable overheads, according to the stage of completion reached.

**iv) Deferred Taxation -**

The company provides deferred taxation at the rate of 21% under the liability method on a full provision basis to take account of timing differences between the treatment of certain items for accounts purposes and their treatment for corporation tax purposes. The major timing difference involved is the excess of capital allowances claimed over the charge for depreciation on the relevant assets.

**v) Pension Contributions -**

The company operates a defined contribution pension scheme for the directors and the pension charge represents the amounts payable by the company to the fund in respect of the year.

NOTES TO THE ACCOUNTS  
for the year ended 31st December 1998 (continued)

1. **Accounting Policies (continued)**

vi) **Hire Purchase**

Assets acquired under hire purchase contracts are capitalised as fixed assets and depreciated accordingly. The related obligations are included in creditors net of finance charges. The finance charges are included in the profit and loss account on the straight line basis over the length of the agreement.

vii) **Turnover -**

The turnover represents sales and charges for work done exclusive of VAT for goods and services supplied to customers during the year.

2. **Turnover**

The turnover and profit before taxation is attributable to the one principal activity of the company. The turnover all arose from the United Kingdom.

3. **Operating Profit**

The operating profit is after charging:	1998	1997
	£	£
Depreciation of tangible fixed assets		
- owned	34,303	29,498
- under hire purchase agreements	2,850	4,178
Loss on disposal of tangible fixed assets	2,097	933
Directors' remuneration	78,053	49,020
Auditors' remuneration	2,150	2,500
Directors pension contributions	12,120	10,000
Hire purchase charges	1,052	774
Equipment hire	3,410	3,121

4. **Other Income**

	1998	1997
	£	£
Rental income	1,000	5,000
Interest received	<u>321</u>	<u>459</u>
	<u>£1,321</u>	<u>£5,459</u>

5. **Interest Payable**

	1998	1997
	£	£
Bank overdraft	522	667
Bank loans	8,276	4,965
Other loan interest	1,123	623
Overdue tax	<u>1,679</u>	<u>223</u>
	<u>£11,600</u>	<u>£6,478</u>

NOTES TO THE ACCOUNTS  
for the year ended 31st December 1998 (continued)

6.	<b>Taxation</b>	1998	1997
		£	£
a)	Charge for the year		
	Corporation tax - current year	8,735	17,790
	Deferred tax	(1,165)	629
		<u>£7,570</u>	<u>£18,419</u>
b)	Corporation tax has been provided for at a rate of 21% (1997 - 24% and 21%) based on the results for the year.		
c)	Deferred tax		
		1998	1997
		£	£
	Brought forward	2,084	1,455
	Credit/charge for the year	(1,165)	629
	Carried forward	<u>£919</u>	<u>£2,084</u>

7. **Tangible Fixed Assets**

	Freehold Property	Improvements to Leasehold	Motor Vehicles	Equipment	Office Equipment	Total
Cost	£	£	£	£	£	£
At 1.1.98	69,209	5,760	41,567	132,682	13,845	263,063
Additions	76,513	16,780	12,175	2,646	6,484	114,598
Disposals	-	-	(31,460)	-	-	(31,460)
At 31.12.98	<u>145,722</u>	<u>22,540</u>	<u>22,282</u>	<u>135,328</u>	<u>20,329</u>	<u>346,201</u>

**Accumulated Depreciation**

At 1.1.98	-	-	21,287	56,525	7,141	84,953
Charge for the year	-	-	8,102	22,910	6,141	37,153
Disposals	-	-	(22,363)	-	-	(22,363)
At 31.12.98	<u>-</u>	<u>-</u>	<u>7,026</u>	<u>79,435</u>	<u>13,282</u>	<u>99,743</u>

**Net Book Value**

At 31.12.98	<u>£145,722</u>	<u>£22,540</u>	<u>£15,256</u>	<u>£55,893</u>	<u>£7,047</u>	<u>£246,458</u>
At 31.12.97	<u>£69,209</u>	<u>£5,760</u>	<u>£20,280</u>	<u>£76,157</u>	<u>£6,704</u>	<u>£178,110</u>

Included in the above net book values are the following amounts relating to assets held under hire purchase agreements:

Motor vehicles                      £2,831

NOTES TO THE ACCOUNTS  
for the year ended 31st December 1998 (continued)

8.	<b>Debtors and Prepayments</b>	1998	1997
		£	£
	Trade debtors	71,580	100,252
	Prepayments	<u>7,487</u>	<u>7,927</u>
		<u>£79,067</u>	<u>£108,179</u>
9.	<b>Creditors:</b> Amounts falling due within one year	1998	1997
		£	£
	Trade creditors	26,804	42,014
	Hire purchase (secured)	3,041	3,773
	Bank overdraft (secured)	-	25,666
	Corporation tax	3,085	13,065
	Directors' current accounts	3,963	1,352
	Social Security and other taxes	70,256	45,194
	Accruals	2,807	4,690
	Bank loans (secured)	8,000	13,623
	Pension fund loan (secured)	<u>5,500</u>	<u>2,500</u>
		<u>£123,456</u>	<u>£151,877</u>
10.	<b>Creditors:</b> Amounts falling due after more than one year	1998	1997
		£	£
	Repayable by instalments		
	Hire purchase (secured)	1,146	3,896
	Bank loan (secured)	107,931	36,786
	Repayable other than by instalments		
	Loan from pension fund (secured)	<u>-</u>	<u>5,000</u>
		<u>£109,077</u>	<u>£45,682</u>
11.	<b>Called up Share Capital</b>	1998	1997
		£	£
	Authorised:		
	100 Ordinary shares of £1 each	100	100
	Allotted, Issued and Fully paid:		
	100 Ordinary shares of £1 each	100	100



NOTES TO THE ACCOUNTS  
for the year ended 31st December 1998 (continued)

12. **Other Commitments**

At 31st December 1998 the company had annual commitments under non cancellable operating leases as follows:

Land and buildings	1998	1997
Between two and five years	<u>£19,452</u>	<u>£9,704</u>

13. **Post Balance Sheet Event**

On 1st April 1999 the company acquired a 100% shareholding in Quest Inspection Ltd. Quest Inspection Ltd carries on a similar trade to this company and its acquisition will establish the group as a major supplier of non destructive testing in the United Kingdom.