

313 2105 *Reg. 5*

THERMO QUEST LIMITED

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 1996



THERMO QUEST LIMITED

CONTENTS

| | Page |
|--|------|
| Company information | 1 |
| Directors' report | 2 |
| Report of the auditors | 4 |
| Consolidated profit and loss account | 5 |
| Statement of total recognised gains and losses | 5 |
| Consolidated balance sheet | 6 |
| Balance sheet | 7 |
| Accounting policies | 8 |
| Notes to the financial statements | 10 |

COMPANY INFORMATION

DIRECTORS

| | |
|----------|------------------------------|
| K F Li | (appointed 13 December 1995) |
| J A Pike | (appointed 13 December 1995) |

SECRETARY

J O'Leary

REGISTERED OFFICE

Fairfax House
Fulwood Place
Gray's Inn
London
W1V 6UB

REGISTERED NUMBER

3132105

AUDITORS

Saffery Champness
Fairfax House
Fulwood Place
Gray's Inn
London
WC1V 6UB

BANKERS

Barclays Bank Plc
11 Bank Court
Hemel Hempstead
Herts
HP1 1BX

Midland Bank Plc
57 High Street
Stone
Staffordshire

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements of the group for the period ended 31 December 1996.

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 the group and of the profit or loss of the group 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.

INCORPORATION

The company was incorporated on 29 November 1995 as Placetrade Limited. Its name was changed to Thermo Quest Limited on 3 January 1996.

RESULTS AND DIVIDENDS

The trading of the group resulted in a profit after taxation of £1,731,000. In addition unrealised exchange losses of £160,000 arising on the retranslation of the opening net investment in foreign subsidiaries have been recognised in the movement on the profit and loss account.

The directors do not recommend the payment of a dividend.

REVIEW OF THE BUSINESS

The group's principal activity during the year was the supply of scientific instruments.

The group's subsidiary undertakings are listed in note 9 to the accounts. A group company also has branches in Holland and Denmark.

The businesses, assets and liabilities of the subsidiaries, Finnigan MAT Ltd and Thermo Separation Products Ltd, have been transferred to Thermo Quest Ltd with effect from 1 January 1997. This company is now carrying on the trades of those subsidiaries.

DIRECTORS' REPORT (Continued)

MARKET VALUE OF FREEHOLD PROPERTY

The directors are of the opinion that the market value of the freehold property at 31 December 1996 would not be significantly different from the book value at that date.

FIXED ASSETS

The movements of fixed assets are shown in the notes to the financial statements.

DIRECTORS

The directors of the company are as stated on page 1. Bonusworth Limited also served as a director from incorporation until its resignation on 13 December 1995.

No director had any disclosable interest in the share capital of the company or any other companies in the group.

AUDITORS

An elective resolution is in force under which the company is not required to re-appoint the auditors each year. The company's auditors, Saffery Champness, are willing to remain in office.

On behalf of the board



K. F. Li
Director

7 JAN 1998

REPORT OF THE AUDITORS TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 16.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the directors' report on page 2, 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 group'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 the group at 31 December 1996 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



SAFFERY CHAMPNESS

Chartered Accountants
Registered Auditors
London

12 January 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 DECEMBER 1996

| | Notes | 1996 £'000 |
|--|-------|---------------------|
| Turnover - acquisitions | 1 | 19,362 |
| Cost of sales | | (13,314) |
| GROSS PROFIT | | <u>6,048</u> |
| Other operating expenses | 2 | (3,782) |
| OPERATING PROFIT - acquisitions | | <u>2,266</u> |
| Interest receivable | | 181 |
| Exchange losses | | (123) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 3 | 2,324 |
| Taxation charge | 5 | (593) |
| PROFIT FOR THE FINANCIAL YEAR | 6 | <u><u>1,731</u></u> |

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE PERIOD ENDED 31 DECEMBER 1996

| | 1996 £'000 |
|--|---------------------|
| Profit for the financial year | 1,731 |
| Currency translation adjustments | (160) |
| TOTAL GAINS AND LOSSES RECOGNISED IN THE YEAR | <u><u>1,571</u></u> |

The notes on pages 8 to 16 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
31 DECEMBER 1996

| | Notes | 1996 £'000 |
|---|-------|---------------------|
| FIXED ASSETS | | |
| Tangible assets | 7 | 1,142 |
| | | <u>1,142</u> |
| CURRENT ASSETS | | |
| Stocks | 9 | 1,820 |
| Debtors | 10 | 10,135 |
| Cash at bank and in hand | | 4,635 |
| | | <u>16,590</u> |
| CURRENT LIABILITIES | | |
| CREDITORS: Amounts falling due within one year | 11 | (16,161) |
| NET CURRENT ASSETS | | <u>429</u> |
| | | <u><u>1,571</u></u> |
| CAPITAL AND RESERVES | | |
| Called up share capital | 13 | - |
| Profit and loss account | 14 | 1,571 |
| EQUITY SHAREHOLDERS' FUNDS | 15 | <u><u>1,571</u></u> |

The notes on pages 8 to 16 form part of these financial statements.

Approved by the board on

7 JAN 1998

H. F. Li

Director

BALANCE SHEET
31 DECEMBER 1996

| | Notes | 1996 £'000 |
|---|-------|-----------------|
| FIXED ASSETS | | |
| Tangible assets | 7 | - |
| Investments | 8 | <u>5,629</u> |
| | | 5,629 |
| CURRENT ASSETS | | |
| Stocks | 9 | - |
| Debtors | 10 | - |
| Cash at bank and in hand | | <u>-</u> |
| | | - |
| CURRENT LIABILITIES | | |
| CREDITORS: Amounts falling due within one year | 11 | <u>5,629</u> |
| NET CURRENT ASSETS/(LIABILITIES) | | <u>(5,629)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u><u>-</u></u> |
| CAPITAL AND RESERVES | | |
| Called up share capital | 14 | - |
| Profit and loss account | 15 | <u>-</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u><u>-</u></u> |

The notes on pages 8 to 16 form part of these financial statements.

Approved by the board on

7 Jan 1998

K.F.Li

K.F.Li

Director

ACCOUNTING POLICIES

A BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

B BASIS OF CONSOLIDATION

The consolidated financial statements include the results of Thermo Quest Limited and its subsidiaries for the period. The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

C TURNOVER

Turnover represents the value of goods and services sold (excluding intra-group trade) stated net of value added tax.

D TANGIBLE FIXED ASSETS

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:-

| | |
|---|-----------------------|
| Freehold buildings | - 2% per annum |
| Production and demonstration equipment | - 15% - 50% per annum |
| Plant, equipment, fixtures and fittings | - 15% - 25% per annum |
| Computers | - 20% - 33% per annum |

E STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost of finished goods and work in progress includes all direct expenditure and production overheads based on the normal level of activity.

F PRODUCT WARRANTY AND INSTALLATION COSTS

A product warranty provision is made in respect of estimated claims anticipated during the warranty period, which is generally one year from the date of sale. An installation and training provision is also made to cover the costs connected with the installation of equipment.

G DEFERRED TAXATION

Provision is made, using the liability method, for taxation in respect of items where there is a timing difference between their treatment for accounts and taxation purposes if it is probable that a material tax liability or asset will crystallise in the foreseeable future.

ACCOUNTING POLICIES (continued)

H PENSION COSTS

The group operates defined contribution group personal pension arrangements. The assets of the schemes are held separately from those of the companies, being invested with insurance companies. The cost of providing pensions is charged against profits of the group in the year in which payments are made and is included within staff costs.

I FOREIGN CURRENCIES

Assets and liabilities of subsidiaries denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The results of overseas subsidiaries are translated at the average rates of exchange for the year.

Differences on exchange arising from the retranslation of the opening net investment in subsidiaries and foreign branches and from the translation of their results at average rates are taken to reserves and are reported in the statement of total recognised gains and losses.

All other foreign exchange differences are taken to the profit and loss account in the year in which they arise.

J RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year of expenditure.

K LEASED ASSETS AND OBLIGATIONS

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account using the 'sum of the digits' method.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996

| | | |
|---|-----------------------|---------------|
| 1 | TURNOVER | 1996 £'000 |
| | Geographical markets: | |
| | UK | 10,196 |
| | Western Europe | 7,789 |
| | Other | 1,377 |
| | | <u>19,362</u> |

Turnover arises wholly from continuing operations acquired in the period.

The profit before taxation and net assets are attributable to the principal activity of the supply of scientific instruments.

2 OTHER OPERATING EXPENSES

| | |
|--------------------------------|--------------|
| Selling and distribution costs | 2,161 |
| Administrative expenses | 1,621 |
| | <u>3,782</u> |

3 PROFIT ON ORDINARY ACTIVITIES
BEFORE TAXATION

| | |
|--|-----------|
| Profit on ordinary activities before taxation is stated after charging: | |
| Depreciation of tangible fixed assets | 198 |
| Auditors' remuneration - audit | 27 |
| - non audit | 15 |
| Hire of assets under operating leases | |
| - motor vehicles and equipment | 243 |
| - other | 94 |
| | <u>94</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

4 EMPLOYEES

| | 1996 |
|---|--------------|
| The average number of persons employed by the group during the year was: | Number |
| Marketing and selling | 28 |
| Service | 40 |
| Administration | <u>12</u> |
| | <u>80</u> |
| Staff costs (for the above persons): | £'000 |
| Wages and salaries | 2,185 |
| Social security costs | 307 |
| Other pension costs | <u>194</u> |
| | <u>2,686</u> |

DIRECTORS' REMUNERATION

Staff costs include the following group
remuneration in respect of the directors
of Thermo Quest Limited:-

| | |
|--|----------------|
| Group emoluments (including pension contributions and benefits in kind) | <u>£88,912</u> |
|--|----------------|

The directors' emoluments (excluding pension
contributions) include amounts paid to:

| | |
|-----------------------|----------------|
| Highest paid director | <u>£59,815</u> |
|-----------------------|----------------|

The number of other directors who received
emoluments (excluding pension
contributions) in the following ranges was:

| | |
|-------------------|--------|
| | Number |
| Nil to £5,000 | 1 |
| £20,000 - £25,000 | 1 |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

| | |
|--|---------------|
| 5 TAXATION | 1996 £'000 |
| UK corporation tax at 33% on the results of the year: | |
| Current | 503 |
| Double taxation relief | (30) |
| Overseas taxation | 120 |
| Prior years | - |
| | <u>593</u> |

Overseas taxation has been provided on the results of overseas subsidiary companies at the appropriate overseas rates of tax.

| | |
|---|---------------|
| 6 PROFIT FOR THE FINANCIAL YEAR | 1996 £'000 |
| Dealt with in the financial statements of the parent undertaking | - |
| Retained by subsidiary undertakings - profits | 1,731 |
| | <u>1,731</u> |

As permitted by section 230 of the Companies Act 1985, the company has not presented its own profit and loss account in addition to the consolidated profit and loss account. The parent company has been dormant during the accounting period.

7 TANGIBLE FIXED ASSETS

| GROUP | Freehold property £'000 | Production and demonstration equipment £'000 | Fixtures and fittings £'000 | Computers £'000 | Total £'000 |
|--------------------------------|-------------------------------|---|-----------------------------------|--------------------|----------------|
| COST | | | | | |
| On acquisition of subsidiaries | 1,348 | 837 | 573 | 77 | 2,835 |
| Exchange differences | - | (6) | (14) | - | (20) |
| Additions | - | 12 | 24 | 27 | 63 |
| Disposals | - | (191) | (63) | (1) | (255) |
| Transfer to stocks | - | (390) | - | - | (390) |
| At 31 December 1996 | <u>1,348</u> | <u>262</u> | <u>520</u> | <u>103</u> | <u>2,233</u> |
| DEPRECIATION | | | | | |
| On acquisition of subsidiaries | 296 | 481 | 495 | 40 | 1,312 |
| Exchange differences | - | (1) | (10) | - | (11) |
| Charge for the year | 35 | 110 | 30 | 23 | 198 |
| Eliminated on disposals | - | (191) | (62) | - | (253) |
| Transfers to stocks | - | (155) | - | - | (155) |
| At 31 December 1996 | <u>331</u> | <u>244</u> | <u>453</u> | <u>63</u> | <u>1,091</u> |
| NET BOOK VALUE | | | | | |
| At 31 December 1996 | <u>1,017</u> | <u>18</u> | <u>67</u> | <u>40</u> | <u>1,142</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

7 TANGIBLE FIXED ASSETS (continued)

The cost of tangible fixed assets for the group includes an amount of £422,048 which has been fully depreciated.

The company did not own any fixed assets during the period.

8 FIXED ASSET INVESTMENTS

| | Shares in Group Undertakings £'000 |
|-------------------------------------|--|
| At 29 November 1995 | - |
| Acquisition of subsidiary companies | 7,129 |
| Disposal of subsidiary company | (1,500) |
| At 31 December 1996 | <u>£5,629</u> |

Additional information on principal subsidiary undertakings:

| | Country of incorporation and operation | Class of shares held | Percentage of Shares held by Parent Group Company % % | | Nature of business |
|---------------------------------------|--|----------------------------|---|-----|--|
| Thermo Separation Products Limited | England & Wales | Ordinary | - | 100 | Suppliers of scientific instruments |
| Finnigan MAT Limited | England & Wales | Ordinary | - | 100 | Suppliers of scientific instruments |
| Finnigan MAT AB | Sweden | Ordinary | 100 | - | Suppliers of scientific instruments |

On 2 January 1996, 100% of the issued share capital of a newly formed company, Thermo Separation Products Limited, was acquired for a cash consideration of £1. The profit after taxation of Thermo Separation Products Limited from 2 January 1996 to the balance sheet date included in the consolidated accounts was £772,000.

On 2 January 1996, 100% of the issued share capital of Finnigan MAT Limited was acquired for a cash consideration of £5,629,000. The loss after taxation of Finnigan MAT Limited and its subsidiary for the financial year ended 31 December 1995 was £100,000. The profit after taxation of Finnigan MAT Limited and its subsidiary from 2 January 1996 to the balance sheet date included in the consolidated accounts was £959,000.

A subsidiary company transferred its interest in Planweld Limited to another fellow subsidiary for £1,500,000 in April 1996.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

8 FIXED ASSET INVESTMENTS (continued)

The table below shows the major categories of assets and liabilities acquired.

| | Book value and fair value at date of acquisition £'000 |
|--------------------------|---|
| FIXED ASSETS | |
| Tangible assets | 1,070 |
| CURRENT ASSETS | |
| Stocks | 867 |
| Debtors | 8,680 |
| Cash at bank | 1,570 |
| TOTAL ASSETS | <u>12,187</u> |
| LIABILITIES | |
| Trade creditors | 221 |
| Other creditors | 6,337 |
| TOTAL LIABILITIES | <u>6,558</u> |
| NET ASSETS | <u>5,629</u> |
| Consideration - cash | <u>5,629</u> |

9 STOCKS

| | Group 1996 £'000 | Company 1996 £'000 |
|-------------------------------|------------------------|--------------------------|
| Finished goods | 688 | - |
| Raw materials and consumables | 1,132 | - |
| | <u>1,820</u> | <u>-</u> |

The replacement cost of stock is not materially different from the balance sheet values.

10 DEBTORS

| | | |
|-------------------------------------|---------------|----------|
| Trade debtors | 5,543 | - |
| Amounts due from group undertakings | 4,490 | - |
| Other debtors | 6 | - |
| Prepayments | 96 | - |
| | <u>10,135</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

11 CREDITORS

| | Group 1996 £'000 | Company 1996 £'000 |
|--------------------------------------|------------------------|--------------------------|
| Amounts falling due within one year: | | |
| Bank overdraft | 7 | - |
| Payments received on account | 557 | - |
| Trade creditors | 249 | - |
| Amounts due to group undertakings | 11,748 | 5,629 |
| Corporation tax | 574 | - |
| Other taxation and social security | 575 | - |
| Other creditors | 249 | - |
| Accruals and deferred income | 2,202 | - |
| | <u>16,161</u> | <u>5,629</u> |

12 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP

There is a potential deferred tax asset of £150,000 which relates principally to the excess of accumulated depreciation over capital allowances and which has not been recognised in these accounts.

13 SHARE CAPITAL

1996

Authorised, allotted, called up and fully paid:
One ordinary share of £1 £1

One ordinary share of £1 was allotted for cash upon formation of the company.

14 PROFIT AND LOSS ACCOUNT

| | Group 1996 £'000 | Company 1996 £'000 |
|----------------------|------------------------|--------------------------|
| Exchange differences | (160) | - |
| Profit for the year | <u>1,731</u> | - |
| At 31 December 1996 | <u>1,571</u> | - |

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 1996 (continued)

15 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS

| | 1996 £'000 |
|--|---------------|
| Profit for the year | 1,731 |
| Other recognised gains and losses relating to the year | (160) |
| Net addition to shareholders' funds | 1,571 |
| Opening shareholders' funds | - |
| Closing shareholders' funds | <u>1,571</u> |

16 PARENT UNDERTAKINGS

The directors regard Thermo Electron Corporation, a company incorporated in the United States of America, as the ultimate parent undertaking at 31 December 1996. Copies of the group accounts prepared by that company are available from 81 Wyman Street, PO Box 9046, Waltham, Massachusetts, USA.

The company's immediate parent company is Finnigan MAT Nevada Inc. Copies of the group accounts prepared by that company are available from the address shown above.

Advantage has been taken of the exemption contained in Financial Reporting Statement 8 - Related Party Disclosures from disclosing transactions with entities which are part of the group.

17 CONTINGENT LIABILITIES

The group has guarantees of £333,000 in the ordinary course of business. The directors do not expect any loss to arise as a result of these guarantees.

18 COMMITMENTS UNDER OPERATING LEASES

At 31 December 1996 the group had annual commitments under non-cancellable operating leases as follows:

| | Land and buildings £'000 | Other Assets £'000 |
|--|-----------------------------|------------------------|
| Expiring within one year | 36 | 140 |
| Expiring between two and five years inclusive | 47 | 70 |
| Expiring in five years or more | <u>10</u> <u>93</u> | <u>-</u> <u>210</u> |