Senstronics Limited

Annual report

for the year ended 31 December 1999

Registered no: 3504198

Senstronics Limited

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for the year ended 31 December 1999

Senstronics Limited

Directors and advisers

Directors

S B Turner
I M Kelly
M P Drain
G Bell
A C Jinks

Secretary and registered office

M P Drain
Athelney Way
Battledown Industrial Estate
Cheltenham
Gloucestershire
GL52 6RT

Registered Auditors

PricewaterhouseCoopers
89 Sandyford Road
Newcastle upon Tyne
NE99 1PL

Solicitors

Bretherton Price Elgoods
123 Promenade
Cheltenham
Gloucestershire
GL50 1NW

Bankers

Barclays Bank Plc
38 Hagley Road
Birmingham
B3 2EP

Directors' report for the year ended 31 December 1999

The directors present their report and the audited financial statements for the year ended 31 December 1999.

Principal activities

The company is principally engaged in the design, manufacture and distribution of high pressure sensors.

Review of business and future developments

The company's loss for the financial year is £883,737 (1998: £31,355). The directors do not recommend the payment of a dividend. The ongoing losses are in line with the directors' expectations given the development phase of the company.

During the year the company completed the construction of its cleanroom and manufacturing facility at a cost of £2.0 million. Production trials started during February 2000 and the production process has continued to be developed throughout the year.

Directors and their interests

The present membership of the Board is set out below. None of the directors had any interests in the share capital of the company during the period.

The interests of Mr S B Turner, who is a director of the ultimate parent company, Ultronics Holdings Limited, are shown in the annual report of that company.

A C Jinks
S B Turner
M P Drain
I M Kelly
G Bell (appointed 4 January 2000)

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 1999 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next Annual General Meeting.

On behalf of the board

M P Drain
Director

26 October 2000

Report of the auditors to the members of Senstronics Limited

We have audited the financial statements on pages 5 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on pages 2 and 3 this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 the company's affairs at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the United Kingdom Companies Acts 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Newcastle upon Tyne

26 October 2000

Profit and loss account
for the year ended 31 December 1999

	Notes	Year ended 31 December 1999 £	7 months ended 31 December 1998 £
Turnover		1,560	-
Cost of sales		(263,523)	-
Gross loss		(261,963)	-
Distribution costs		(1,556)	-
Administrative expenses		(686,931)	(31,355)
Other operating income		70,000	-
Operating loss	3	(880,450)	(31,355)
Interest payable and similar charges	7	(3,287)	-
Loss on ordinary activities before taxation		(883,737)	(31,355)
Taxation on loss on ordinary activities	6	-	-
Retained loss for the financial year	14	(883,737)	(31,355)

All activities relate entirely to continuing operations.

The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the financial year stated above and their historical cost equivalents.

Balance sheet
As at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	8	**1,865,873**	2,600
Current assets			
Debtors	9	**313,662**	-
Cash at bank and in hand		**858**	-
		314,520	-
Creditors: amounts falling due within one year	10	**(952,515)**	(33,953)
Net current liabilities		**(637,995)**	(33,953)
Total assets less current liabilities		**1,227,878**	(31,353)
Creditors: amounts falling due after more than one year	11	**(2,142,968)**	-
Net liabilities		**(915,090)**	(31,353)
Capital and reserves			
Called up equity share capital	13	**2**	2
Profit and loss account	14	**(915,092)**	(31,355)
Equity shareholders' funds	15	**(915,090)**	(31,353)

The financial statements on pages 5 to 13 were approved by the board of directors on 26 October 2000 and were signed on its behalf by:

M P Drain
Director

Notes to the financial statements for the year ended 31 December 1999

1 Accounting policies

The financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

a) Turnover

Turnover represents the invoiced value of sales to third parties, net of trade discounts and value added tax.

b) Tangible fixed assets and depreciation

Tangible fixed assets are stated at acquisition cost. Depreciation is charged to the profit and loss account so as to write off the cost of tangible fixed assets to their estimated residual value over their estimated useful economic lives using the straight line method.

The principal estimated useful economic lives are as follows:

Plant and machinery	3 - 8 years
Fixtures and fittings	3 - 8 years

c) Research and development

Expenditure incurred on research and development is charged to the profit and loss account as incurred.

d) Leases

Assets held under hire purchase or finance lease contracts are capitalised and included in tangible fixed assets at their fair value. Each asset is depreciated over the shorter of the contract term or its estimated useful life. Obligations relating to such contracts net of finance charges in respect of future periods are included as appropriate under creditors. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

e) Foreign currencies

Monetary assets and liabilities held at the balance sheet date and denominated in foreign currency are translated at the rate of exchange prevailing at that date. Foreign currency transactions entered into during the year are translated at the rate of exchange prevailing at the date of the transaction. Exchange differences arising on these transactions are accounted for through the profit and loss account.

1 Accounting policies (continued)

f) Deferred taxation

Provision for deferred taxation is made where it is probable that a liability will crystallise at the rates estimated to be effective in the future. Unprovided deferred taxation is disclosed as a contingent liability.

g) Pensions

The company operates an independently administered money purchase (defined contribution) pension scheme for all of its employees. Pension costs are recognised in the profit and loss account as they fall due.

h) Government grants

Grant income is deferred and credited to the profit and loss account over the period of the project to which the grant relates.

2 Cash flow statement

The company is a small company as defined by Section 246 of the United Kingdom Companies Act 1985. Consequently, the company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised 1996) to small companies and not prepared a cash flow statement.

3 Operating loss

Operating loss is stated after charging/(crediting):

	Year ended 31 December 1999 £	7 months ended to 31 December 1998 £
Wages and salaries	**318,150**	4,969
Social security costs	**33,451**	-
Other pension costs	**19,881**	865
Operating lease charges - other	**116,723**	9,000
Depreciation of owned tangible fixed assets	**187,379**	-
Research and development	**38,393**	981
Auditors' remuneration for audit services	**3,000**	250
Grant income	**(70,000)**	-

4 Directors emoluments

None of the directors received any remuneration for services rendered during the year (1998: £Nil), nor did they participate in money purchase pension schemes.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was as follows:

	Year ended 31 December 1999	From incorporation to 31 December 1998
Finance and administration	**5**	4
Operations	**6**	-
	11	4

6 Taxation on loss on ordinary activities

Taxation on loss on ordinary activities unrelieved taxation losses of approximately £1,449,265 (1998: £32,395) remain available to offset against future taxable trading profits.

7 Interest payable and similar charges

	Year ended 31 December 1999 £	7 months ended to 31 December 1998 £
Interest payable on bank overdrafts	**1,964**	-
Finance leases	**1,323**	-
	3,287	-

8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost			
At 1 January 1999	-	2,600	2,600
Additions	2,036,849	13,803	2,050,652
At 31 December 1999	**2,036,849**	**16,403**	**2,053,252**
Accumulated depreciation			
At 1 January 1999	-	-	-
Charge for year	185,379	2,000	187,379
At 31 December 1999	**185,379**	**2,000**	**187,379**
Net book amount			
At 31 December 1999	**1,851,470**	**14,403**	**1,865,873**
At 1 January 1999	-	2,600	2,600

Assets held under finance leases and capitalised in plant and machinery:

	1999 £	1998 £
Cost	**300,250**	-
Accumulated depreciation	-	-
Net book amount	**300,250**	-

9 Debtors

	1999 £	1998 £
Trade debtors	**34,768**	-
Other debtors	**167,781**	-
Prepayments and accrued income	**111,113**	-
	313,662	-

10 Creditors: Amounts falling due within one year

	1999 £	1998 £
Bank overdrafts	45,265	-
Trade creditors	602,270	-
Amounts due to group undertakings	-	18,871
Finance leases (note 12)	78,335	-
Taxation and social security	18,281	1,820
Other creditors	38,370	4,014
Accruals and deferred income	169,994	9,248
	952,515	33,953

11 Creditors: Amounts falling due after more than one year

	1999 £	1998 £
Amounts due to group undertakings	1,931,468	-
Finance leases (note 12)	211,500	-
	2,142,968	-

12 Borrowings

Finance leases

Future minimum payments under finance leases are as follows:

	1999 £	1998 £
In one year or less	78,335	-
In more than one year, but not more than five years	211,500	-
	289,835	-

13 Called up equity share capital

	1999 £	1998 £
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

14 Reserves

	Profit and loss account £
At 1 January 1999	(31,355)
Retained loss for the financial year	(883,737)
At 31 December 1999	(915,092)

15 Reconciliation of movement in equity shareholders' funds

	1999 £	1998 £
Retained loss for the financial year	**(883,737)**	(31,355)
Shareholders' funds as at 1 January	**(31,353)**	2
Shareholders' funds as at 31 December	**(915,090)**	(31,353)

16 Contingent liabilities

There were no contingent liabilities at 31 December 1999 (1998: £Nil).

17 Pensions

The company contributes to individual money purchase pension schemes for the benefit of the employees. The assets of the schemes are in funds independent from those of the company.

18 Capital commitments

Capital commitments contracted for but not provided for in these financial statements totalled £218,750 (1998: £Nil).

During the year the company entered into an agreement with Barclays Mercantile for the lease of equipment. Under the agreement Barclays Mercantile will make progress payments to the supplier of the equipment and Senstronics has committed to entering into a lease agreement once the equipment has been installed and commissioned. The period of the lease and the repayment terms will be fixed at the date the lease is entered into. Until that date Ultronics will pay interest on the balance funded by Barclays Mercantile at the rate of 1% above base rate.

At the year end the equipment had not been delivered to the company.

19 Financial commitments

At 31 December 1999 the company had annual commitments under operating lease arrangements expiring as follows:

	1999			1998		
	Land and buildings £	Other £	Total £	Land and buildings £	Other £	Total £
Within one to five years	-	23,064	23,064	-	-	-
In five years or more	55,000	-	55,000	-	-	-
	55,000	23,064	78,064	-	-	-

20 Related party transactions

Ultronics Limited

During the year, the company's working capital requirements were provided by Ultronics Limited a wholly owned subsidiary of Ultronics Group Limited. The creditor balance outstanding at 31 December 1999 was £1,931,468 (1998: £Nil).

In addition, Ultronics Limited paid expenses on behalf of the company of £Nil (1998: £18,871).

21 Ultimate parent undertaking

The company's ultimate holding company is Ultronics Group Limited, and its ultimate controlling party is Mr S Turner, by virtue of his ownership of 60% of the issued share capital in that company. Ultronics Group Limited is exempt from preparing group consolidated financial statements by virtue of the group qualifying as a small group under Section 246 of the Companies Act 1985. Copies of Ultronics Group Limited financial statements can be obtained from the Company Secretary at Ultronics House, Athelney Way, Battledown Industrial Estate, Cheltenham, Gloucesterhire, GL52 6RT.

Ultronics Group Ltd has formally indicated it will provide financial support to the company in order to meeting funding requirements for the foreseeable future.