

CHELSEA INSTRUMENTS LIMITED

FINANCIAL STATEMENTS

for the year ended

31 March, 1997



**CHELSEA INSTRUMENTS LIMITED**

Company Number: 00832429

**DIRECTORS**

Mr. D.J. Chatterton (Managing Director)  
Dr. D. Griffiths ARCS PhD  
Mr. M.B. Kershen FCA  
Dr. J.P. Vessey ARCS PhD  
Mr. R.J. Burt  
Mr. B. A. Wardhaugh

**SECRETARY**

Mr. S.A. Fletcher

**BUSINESS ADDRESS**

55 Central Avenue  
West Molesey  
SURREY KT8 2QZ  
UK

**REGISTERED OFFICE**

55 Central Avenue  
West Molesey  
SURREY KT8 2QZ  
UK

**AUDITORS**

Hazlems Fenton  
Chartered Accountants  
Palladium House  
1-4 Argyll Street  
LONDON W1V 2LD

**CHELSEA INSTRUMENTS LIMITED**

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31 MARCH 1997**

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## **CHELSEA INSTRUMENTS LIMITED**

### **REPORT OF THE DIRECTORS**

The directors present their report and the audited financial statements for the year ended 31 March 1997.

#### **DIRECTORS' RESPONSIBILITIES**

Company law requires 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, Company directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Company 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. Company directors 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.

#### **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The company develops and manufactures high-specification electronic equipment and instrumentation for use in the oceanographic, scientific and medical diagnostic fields. It also provides technical research and consultancy services in those fields.

The directors are pleased to report a 26% increase in turnover and a 49% increase in pre-tax profits for the year. It is hoped that these increased levels will be maintained in the current year.

#### **PRODUCT DEVELOPMENT**

The company continues to develop and expand its own range of standard products for sale into the oceanographic market. The product range is well-established and the company has a strong presence in its chosen markets.

The bases used for capitalising and amortising product development expenditure are described in Note 1.8 to the financial statements. The treatment is fully in accordance with approved accounting standards.

# **CHELSEA INSTRUMENTS LIMITED**

## **REPORT OF THE DIRECTORS**

### **TRADING RESULTS AND DIVIDENDS**

Turnover for the year totalled £2.642M against £2.093M for the previous year.

The company achieved pre-tax profits of £224,122 for the year against £150,861. After tax, the distributable profit amounted to £175,785 (1996 - £101,954).

The directors have proposed that a dividend of £20,010 be paid for the year (1996 - £10,005).

The retained profit of £155,775 is transferred to reserves.

### **FIXED ASSETS**

The movements in fixed assets during the period are set out in Notes 10 and 11 to the financial statements.

### **DIRECTORS AND THEIR INTERESTS**

The directors who served during the year and their beneficial interests in the company were as stated below:

	<b><u>Ordinary Shares of £1 each</u></b>	
	<b><u>31.3.97</u></b>	<b><u>31.3.96</u></b>
D.J. Chatterton	20,385	20,385
D. Griffiths	8,810	8,810
M.B. Kershen	10,675	10,675
J.P. Vessey	4,005	4,005
R.J. Burt	-	-
B.A. Wardhaugh	-	-

The above beneficial interests are reflected through the directors' share holdings in the ultimate holding company, Chelsea Technologies Limited.

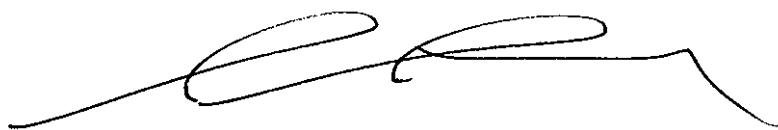
### **AUDITORS**

The auditors, Hazlems Fenton, are willing to be re-appointed in accordance with section 385 of the Companies Act 1985.

#### **Registered office:**

55 Central Avenue  
West Molesey  
Surrey KT8 2QZ  
UK

Date: 20.1.98



By order of the Board  
S.A. Fletcher  
Secretary

**CHELSEA INSTRUMENTS LIMITED**

**AUDITORS' REPORT TO THE MEMBERS OF CHELSEA INSTRUMENTS LIMITED**

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

**Respective responsibilities of the directors and auditors**

As described in the directors' report 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.

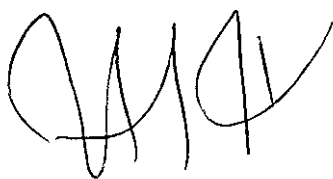
**Basis of opinion**

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 the company's affairs as at 31st March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HAZLEMS FENTON

Date: 22.1.98

Chartered Accountants  
Registered Auditors  
Palladium House  
1-4 Argyll Street  
LONDON W1V 2LD

**CHELSEA INSTRUMENTS LIMITED****PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1997**

		1997	1996
	Notes	£	£
<b>TURNOVER</b>	2	2,642,507	2,093,839
Cost of Sales		1,922,791	1,375,092
		-----	-----
<b>GROSS PROFIT</b>		719,716	718,747
Selling expenses		(226,072)	(307,739)
Administration expenses		(233,158)	(208,259)
		-----	-----
<b>OPERATING PROFIT</b>	3	260,486	202,749
Interest received	5	686	7,240
Interest payable	6	(37,050)	(59,128)
		-----	-----
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		224,122	150,861
Tax on profit on ordinary activities	8	(48,337)	(48,907)
		-----	-----
<b>PROFIT FOR THE FINANCIAL YEAR</b>		175,785	101,954
Dividend payable	9	(20,010)	(10,005)
		-----	-----
Retained profit for the year		155,775	91,949
		-----	-----
<b>STATEMENT OF RETAINED PROFITS</b>			
Retained profits at beginning of year		914,817	822,868
Retained profit for year		155,775	91,949
		-----	-----
		1,070,592	914,817
		=====	=====

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 6 to 13 form part of these financial statements.

**CHELSEA INSTRUMENTS LIMITED****BALANCE SHEET AT 31 MARCH 1997**

		<u>1997</u>		<u>1996</u>	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible assets	10	545,978		443,655	
Tangible assets	11	501,447	1,047,425	385,782	829,437
		-----		-----	
<b>INVESTMENT IN SUBSIDIARY</b>	12		23,373		23,373
			-----		-----
			1,070,798		852,810
<b>CURRENT ASSETS</b>					
Stocks & work in progress	13	1,002,330		852,870	
Debtors	14	807,719		806,414	
Investments	15	1,628		1,628	
Cash at bank & in hand		2,594		651	
		-----		-----	
		1,814,271		1,661,563	
<b>CREDITORS: Amounts falling due within one year</b>	16	(1,617,063)		(1,470,213)	
		-----		-----	
<b>NET CURRENT ASSETS</b>			197,208		191,350
			-----		-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			1,268,006		1,044,160
<b>CREDITORS: Amounts falling due after more than one year</b>	17		(50,082)		(7,249)
<b>PROVISION FOR LIABILITIES &amp; CHARGES</b>	18		(97,332)		(72,094)
			-----		-----
<b>NET ASSETS</b>			1,120,592		£964,817
			=====		=====
<b>CAPITAL AND RESERVES</b>					
Called up share capital	19		50,000		50,000
Profit and loss account			1,070,592		914,817
			-----		-----
Shareholders' funds	20		1,120,592		£964,817
			=====		=====

The financial statements were approved by the Board and signed on its behalf by

D J Chatterton - Director

Date.....

 20.1.98

The notes on pages 6 to 13 form part of these financial statements.



**CHELSEA INSTRUMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997**

**1. ACCOUNTING POLICIES**

**1.1. BASIS OF ACCOUNTING**

The financial statements are prepared under the historical cost convention.

**1.2 GROUP ACCOUNTS**

The Company is entitled to the exemption under Section 228 of the Companies Act 1985 from the requirement for group accounts to be prepared as the Company is an intermediary holding company whose results are consolidated in the accounts of the ultimate parent undertaking.

**1.3 CASH FLOW STATEMENT**

As a wholly-owned subsidiary of a parent company established in the UK, the Company is not required to prepare a cash flow statement in accordance with Financial Reporting Statement No.1.

**1.4 TURNOVER**

Turnover represents the total sales value, excluding value added tax, of goods sold and services rendered during the period.

**1.5 DEPRECIATION ON TANGIBLE FIXED ASSETS**

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost of the tangible assets over their estimated useful lives, after taking into account residual values.

Leasehold properties	Straight line over the life of the lease
Equipment	10-20% p.a. Straight line
Fixtures and fittings	10% p.a. Straight line
Motor vehicles	20% p.a. Straight line

**1.6 STOCK**

Stock and work in progress are valued at the lower of cost and net realisable value. Cost includes direct materials, labour, production and handling overheads incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less further costs to completion and selling costs.

**1.7 LONG-TERM CONTRACTS**

Turnover on long-term contracts represents the sales value of work carried out during the period which would include amounts invoiced and yet to be invoiced at the year-end. The sales value of work carried out is determined on the basis of the applied cost of materials and the proportion of total contract labour hours expended in the period and after allowing for contingencies and provision for anticipated losses where relevant.

Operating profit includes attributable profits on long-term contracts completed and amounts recoverable on contracts uncompleted, the latter also being included under debtors due within one year where relevant.

Long-term contract work in progress is shown at net cost after deducting foreseeable losses and payments on account.

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997****1.8 RESEARCH AND DEVELOPMENT**

Expenditure on research and development is written off to the profit & loss account as incurred, except that expenditure incurred on the development of an individual product is carried forward when its technological feasibility and commercial viability are established and future recoverability can be foreseen with reasonable assurance. Capitalisation of development expenditure ceases when the product concerned is fully tested and ready for commercial production. Any expenditure carried forward is amortised in line with the expected sales of the related product subject to a maximum amortisation period of four years from the completion of the development period.

**1.9 DEFERRED TAXATION**

Deferred taxation is provided where there is a reasonable probability of the amount becoming payable in the foreseeable future.

**1.10 LEASING AND HIRE PURCHASE**

Assets acquired under finance leases or hire purchase contracts are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account in constant proportion to the net obligations outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease terms.

**1.11 PENSIONS**

The group operates a defined contribution pension scheme. Pension contributions are charged to the profit and loss account as paid. These contributions are invested separately from the Company's assets.

**1.12 GOVERNMENT GRANTS**

The Company receives Government grants of a revenue nature which are credited to Profit and Loss Accounts in the period to which they relate.

**2. TURNOVER**

	1997 £	1996 £
<u>Analysis by:</u>		
Class of business		
Sale of goods	1,822,370	1,487,149
Fees for services	820,137	606,690
	<u>2,642,507</u>	<u>£2,093,839</u>
	=====	=====

**3. OPERATING PROFIT**

	1997 £	1996 £
The operating profit is stated after charging:		
Amortisation of product development costs	113,859	129,157
Depreciation	91,274	122,164
Auditors' remuneration	10,000	8,000
Operating lease rentals		
Land and buildings	72,730	72,730
	<u>=====</u>	<u>=====</u>
And after crediting:-		
Government grants received	147,772	219,163
Profit on disposal of fixed assets	3,753	3,998
	<u>=====</u>	<u>=====</u>

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997****4. GOVERNMENT GRANTS**

Grants receivable for the period totalling £147,772 have been credited against cost of sales.

**5. INTEREST RECEIVED**

	1997	1996
	£	£
Short-term interest received on trade deposits	686	7,240
	=====	=====

**6. INTEREST PAYABLE**

	1997	1996
	£	£
On bank loans & overdrafts & on loans repayable in full within five years	32,097	50,312
Hire purchase interest	4,953	8,816
	-----	-----
	£37,050	£59,128
	=====	=====

**7. DIRECTORS AND EMPLOYEES**

	1997	1996
	£	£
Staff costs:		
Wages and Salaries	939,580	736,876
Social security costs	92,067	76,373
Other pension costs	54,097	28,109
	-----	-----
	£1,085,744	£841,358
	=====	=====

The average weekly number of employees during the period was made up as follows:

	Number	Number
Research and Production	29	22
Administration and Management	10	10
Selling	3	2
	---	---
	42	34
	==	==

	£	£
Directors' emoluments for the year	227,566	208,622
	=====	=====

The division of directors' emoluments, excluding pension contributions, is as follows:

Chairman	42,634	41,192
	=====	=====
Highest paid director	£44,708	£41,192
	=====	=====

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997**

	1997 Number	1996 Number
Other directors' remuneration fell within the following ranges on an annualised basis		
£10,001 - £15,000	-	1
£25,001 - £30,000	-	2
£30,001 - £35,000	2	2
£35,001 - £40,000	2	1

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	1997 £	1996 £
The taxation charge based on the profit before tax comprises:		
UK corporation tax at 24% (1996 - 25%)	23,099	22,298
Deferred taxation provision	25,238	26,609
	-----	-----
Net charge	48,337	48,907
	=====	=====

**9. DIVIDEND PAYABLE**

	1997 £	1996 £
A dividend of 40.02p per Ordinary Share has been declared for the year (1996 - 20.01p).	20,010	10,005
	=====	=====

**10. INTANGIBLE FIXED ASSETS**

	<u>Product Development Expenditure</u> £
<b>Cost</b>	
Brought forward at 1.4.96	938,450
Additions	216,182
Elimination on full amortisation	(455,635)
	-----
At 31.3.97	698,997
	=====
<b>Amortisation</b>	
Brought forward at 1.4.96	494,795
Provision during year	113,859
Elimination on full amortisation	(455,635)
	-----
At 31.3.97	153,019
	=====
Net book value at 31 March 1997	545,978
	=====
Net book value at 31 March 1996	443,655
	=====

The development expenditure represents direct costs, salary costs and attributable overheads incurred in the relevant product development.

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997****11. TANGIBLE FIXED ASSETS**

	<u>Leasehold (short)</u>	<u>Equipment</u>	<u>Fixtures &amp; Fittings</u>	<u>Motor Vehicles</u>	<u>Total</u>
	£	£	£	£	£
<b>Cost</b>					
At 1 April 1996	50,652	701,407	250,591	135,177	1,137,827
Additions		113,570	6,331	106,285	226,186
Disposals				(44,590)	(44,590)
At 31 March 1997	50,652	814,977	256,922	196,872	1,319,423
<b>Depreciation</b>					
At 1 April 1996	35,373	475,925	152,672	88,075	752,045
Charge for year	7,640	55,719	18,208	9,707	91,274
On disposals				(25,343)	(25,343)
At 31 March 1997	43,013	531,644	170,880	72,439	817,976
<b>Net book values</b>					
At 31 March 1997	7,639	283,333	86,042	124,433	501,447
At 31 March 1996	15,279	225,482	97,919	47,102	385,782

Included above are assets held under finance leases or hire purchase contracts as follows:

	<u>Equipment</u>	<u>Motor Vehicles</u>
Net book value at 31 March 1997	23,818	85,673
Depreciation charge	2,646	5,623

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997****12. INVESTMENT IN SUBSIDIARY**

	1997 £	1996 £
Investments in Group undertakings:		
Cost and Net Book Values At 1 April 1996 and 31 March, 1997	23,373 =====	23,373 =====

In the opinion of the directors, the aggregate value of the Company's investment in group undertakings is not less than the amount included in the Balance Sheet.

**Holdings of more than 10%**

The Company holds more than 10% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares Held Class %
Chelsea Environmental Instruments Ltd	England and Wales	Ordinary 100%

The aggregate amount of capital and reserves and the results of this undertaking for the last financial period were as follows:

	Capital and reserves £	Profit/(Loss) for period £
Chelsea Environmental Instruments Ltd	51,851 =====	- =====

**13. STOCKS AND WORK IN PROGRESS**

	1997 £	1996 £
Raw materials & consumables, less provisions	535,960	438,271
Work in progress	154,258	196,997
Finished goods & goods for resale, less provisions	312,112	217,602
	1,002,330 =====	852,870 =====

**14. DEBTORS**

	1997 £	1996 £
Trade debtors	570,285	644,559
Amounts recoverable on long-term contracts	89,035	-
Prepayments	70,499	83,145
Trade deposits repayable after more than one year	34,750	34,250
Other debtors	5,592	3,090
Amounts owed by group companies	37,558	41,370
	807,719 =====	806,414 =====

**15. INVESTMENTS**

	1997 £	1996 £
Stock Exchange Securities (Market Value £1,260)	1,628 =====	1,628 =====

**CHELSEA INSTRUMENTS LIMITED****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997****16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997	1996
	£	£
Bank loans & overdrafts	436,420	529,997
Trade creditors	601,182	461,999
Payments on account - Long-term contracts	-	14,525
Amounts owed to group companies	332,987	332,987
Corporation tax	48,436	34,427
Other taxes & social security costs	130,905	61,742
Net obligation under finance lease and hire purchase contracts	34,478	23,412
Dividend payable	20,010	10,005
Accruals	1,163	1,119
Other creditors	11,482	-
	-----	-----
	1,617,063	1,470,213
	=====	=====

**17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	1997	1996
	£	£
Net obligations under finance leases and hire purchase contracts	50,082	7,249
	=====	=====
<u>Net obligations under finance leases and hire purchase contracts</u>		
Repayable within one year	38,942	26,924
Repayable between one and five years	57,409	8,387
	-----	-----
	96,351	35,311
	-----	-----
Finance charges and interest allocated to future accounting periods	(11,791)	(4,650)
	-----	-----
	84,560	30,661
Included in current liabilities	(34,478)	(23,412)
	-----	-----
	50,082	7,249
	=====	=====

**18. PROVISION FOR LIABILITIES AND CHARGES**

Deferred tax is calculated at 24% (1996 - 25%) analysed over the following timing differences:

	Provided		Not Provided	
	1997	1996	1997	1996
	£	£	£	£
On Capital gain rollover	10,500	10,500	-	-
On accelerated capital allowances	7,569	3,910	45,002	40,743
On product development expenditure	79,263	57,684	36,000	37,500
	-----	-----	-----	-----
	97,332	72,094	81,002	78,243
	=====	=====	=====	=====

Deferred taxation on capitalised development expenditure and accelerated capital allowances on tangible fixed assets has only been provided where a liability is expected to crystallise in the foreseeable future.

**CHELSEA INSTRUMENTS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 1997**

**19. SHARE CAPITAL**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
<u>Authorised</u>		
100,000 Ordinary Shares of £1 each	100,000	100,000
	=====	=====
<u>Allotted, called up and fully paid</u>		
50,000 Ordinary Shares of £1 each	50,000	50,000
	=====	=====

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	175,785	101,954
Dividends	(20,010)	(10,005)
	-----	-----
Net addition to shareholders' funds	155,775	91,949
Opening shareholders' funds	964,817	872,868
	-----	-----
Closing shareholders' funds	1,120,592	964,817
	=====	=====

**21. CAPITAL COMMITMENTS**

Capital commitments at 31st March, 1997 totalled £40,000 (1996 - £25,000)

**22. GUARANTEES**

The Company has guaranteed bank borrowings of its subsidiary company and a fellow subsidiary under cross-guarantee arrangements. The guarantees are secured by fixed and floating charges on the Group's assets and a legal mortgage over the company's leasehold property.

The Company has guaranteed equipment finance loan agreements for an associated company, the outstanding balance on which stood at £81,317 at 31 March 1997 (1996 - £70,132)

**23. FINANCIAL COMMITMENTS**

At 31 March 1997, the Company had annual commitments under non-cancellable operating leases as follows:

	<b>Land and Buildings</b>	
	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
Expiry date:		
25th March, 1998	72,730	72,730
	=====	=====

**24. ULTIMATE HOLDING COMPANY**

The ultimate holding company is Chelsea Technologies Limited, a company incorporated in England and Wales.