

CHELSEA INSTRUMENTS LTD.

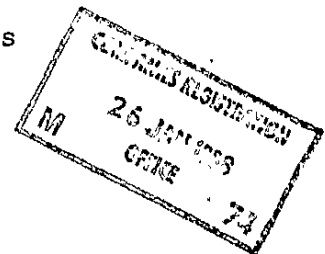
FINANCIAL STATEMENTS

PERIOD ENDED 31ST DECEMBER, 1986

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CHELSEA INSTRUMENTS LTD.

REPORT OF THE AUDITORS TO THE MEMBERS OF CHELSEA INSTRUMENTS LTD.

We have audited the financial statements on pages 2 to 10. Our audit was conducted in accordance with approved Auditing Standards.

In our opinion, the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31st December, 1986 and of its results and source and application of funds for the period then ended and comply with the Companies Act, 1985.

Palladium House,
1/4 Argyll Street,
London, W.1.

MICHAEL FENTON & CO.
Chartered Accountants

CHELSEA INSTRUMENTS LTD.

PROFIT & LOSS ACCOUNT FOR THE PERIOD OF 9 MONTHS ENDED

31ST DECEMBER, 1986

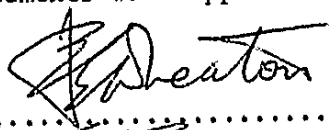
		<u>1986</u> <u>(9 mths.)</u>	<u>1985/86</u> <u>(12 mths.)</u>
	<u>Notes</u>	<u>£</u>	<u>£</u>
TURNOVER	2	1,012,590	1,279,193
Cost of Sales		497,417	805,341
Gross Profit		515,173	473,852
Operating Expenses	3	445,423	384,414
Operating Profit	4	69,750	89,438
Interest Payable, net	6	13,685	11,724
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		56,065	77,714
Taxation on profit on ordinary activities	7	16,075	30,718
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		39,990	46,996
		=====	=====
RETAINED PROFITS			
At beginning of period		151,117	104,121
Retained profit for period		39,990	46,996
At close of period		191,107	151,117
		=====	=====

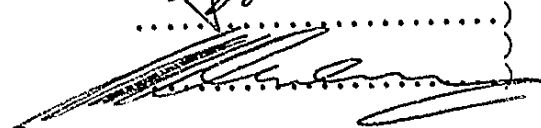
CHELSEA INSTRUMENTS LTD.

BALANCE SHEET AT 31ST DECEMBER, 1986

		<u>31.12.86</u>		<u>31.3.86</u>	
	<u>Notes</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
FIXED ASSETS					
Tangible Assets	8		271,980		125,516
Investment in Subsidiary	9		51		51
CURRENT ASSETS					
Stocks	10	281,367		184,412	
Debtors	11	561,856		217,328	
Cash Balances		7,878		27,445	
		<u>851,101</u>		<u>429,185</u>	
CREDITORS, AMOUNTS FALLING DUE WITHIN ONE YEAR					
	12(a)	(819,679)		(328,083)	
NET CURRENT ASSETS					
			<u>31,422</u>		<u>101,102</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			303,453		226,669
CREDITORS, AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	12(b)	(49,596)		(11,496)	
PROVISIONS FOR LIABILITIES AND CHARGES					
	13	(12,750)	(62,346)	(14,056)	(25,552)
NET ASSETS					
			<u>241,107</u>		<u>201,117</u>
CAPITAL AND RESERVES					
Called up Share Capital	14		50,000		50,000
Profit & Loss Account			191,107		151,117
SHAREHOLDERS' FUNDS					
			<u>241,107</u>		<u>201,117</u>

These financial statements were approved by the Board on 4th July, 1987




 Directors

CHELSEA INSTRUMENTS LTD.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE PERIOD OF 9 MONTHS ENDED 31ST DECEMBER, 1986

	<u>1986</u> <u>(9 mths.)</u>		<u>1985/86</u> <u>(12 mths.)</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
SOURCES				
From Operations				
Profit on ordinary activities before taxation		56,065		77,714
Adjustments for items not involving net liquid funds:				
Depreciation	40,057		31,935	
Loss/(Surplus) on Disposal	<u>(12,040)</u>	<u>28,017</u>	<u>1,278</u>	<u>33,213</u>
		84,082		110,927
Items absorbing net liquid funds:				
Stocks	96,955		40,231	
Debtors	344,528		72,023	
Creditors other than loans and overdrafts and taxation	<u>(169,883)</u>	<u>271,600</u>	<u>(69,830)</u>	<u>42,424</u>
Net liquid funds (absorbed)/ provided from operations		(187,518)		68,503
Disposal of fixed assets		<u>15,640</u>		<u>4,140</u>
		(171,878)		72,643
APPLICATIONS				
Expenditure on fixed assets	190,121		54,087	
Tax paid	<u>-</u>	<u>(190,121)</u>	<u>13,662</u>	<u>(67,749)</u>
INCREASE/(DECREASE) IN NET LIQUID FUNDS		<u>(361,999)</u> =====		4,894 =====
Being:				
Increase/(Decrease) in Cash Balances	(19,567)		19,480	
(Increase) in Bank Borrowings	<u>(342,432)</u>	<u>(361,999)</u> =====	<u>(14,586)</u>	4,894 =====

CHELSEA INSTRUMENTS LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED

31ST DECEMBER, 1986

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention.

b) Turnover

Turnover consists of the value of sales of goods and services supplied to customers, less VAT and returns.

c) Fixed Assets and Depreciation

Tangible fixed assets are stated at cost, less depreciation provided at the following rates:

Freehold Land	-	Nil		
Freehold Buildings	-	2% p.a. on cost (50% of Land & Buildings)		
Fixtures	-	10%	"	"
Equipment	-	20%	"	"
Vehicles	-	20%	"	"

d) Stocks

Stocks are valued at the lower of cost and net realisable value. The valuation of finished goods and work in progress includes manufacturing wages and direct manufacturing overheads as related thereto.

e) Deferred Taxation

Deferred taxation has been provided for the equalisation of timing differences which arise from the special depreciation allowances given for taxation purposes.

f) Research and development

All research and development expenditure is written off to the Profit & Loss Account as incurred.

2. TURNOVER

Turnover is analysed as follows:

	<u>1986</u> <u>(9 mths.)</u>	<u>1985/86</u> <u>(12 mths.)</u>
	<u>£</u>	<u>£</u>
Sale of goods	844,719	1,063,701
Fees for services	167,871	215,492
	<u>1,012,590</u>	<u>1,279,193</u>
	=====	=====

CHELSEA INSTRUMENTS LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED

31ST DECEMBER, 1986

(Continued)

	<u>1986</u> <u>(9 mths.)</u>	<u>1985/86</u> <u>(12 mths.)</u>
3. NET OPERATING EXPENSES	<u>£</u>	<u>£</u>
Selling Costs	114,579	102,101
Administrative Expenses	330,844	282,313
	<u>445,423</u>	<u>384,414</u>
	=====	=====

4. OPERATING PROFIT

Operating Profit is stated after including:

Loss/(Surplus) on disposal of fixed assets	(12,040)	1,278
Depreciation	40,057	31,935
Directors' emoluments (Note 5)	78,783	83,282
Auditors' remuneration	2,000	1,750
Hire of equipment	2,076	1,062
	=====	=====

5. DIRECTORS AND EMPLOYEES

DIRECTORS' EMOLUMENTS

Staff costs include the following emoluments in respect of directors of the company:

Remuneration	70,065	72,466
Pension contributions	8,718	10,816
	<u>78,783</u>	<u>83,282</u>
	=====	=====

The remuneration of the Chairman and highest-paid Director was £24,750 for 9 months. (12 months - £30,000).

STAFF COSTS

Staff costs during the period were as follows:

Wages & Salaries	266,167	233,075
Social Security Costs	28,119	28,118
Other Pension Costs	15,286	16,645
	<u>309,572</u>	<u>277,838</u>
	=====	=====

The average weekly number of persons employed by the company during the period was:

	<u>Number</u>	<u>Number</u>
Research & Development	13	12
Production	9	8
Administration & Management	10	8
	<u>32</u>	<u>28</u>
	==	==

CHELSEA INSTRUMENTS LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED

31ST DECEMBER, 1986

(Continued)

6. INTEREST PAYABLE

	<u>1986</u>	<u>1985/86</u>
	<u>(9 mths.)</u>	<u>(12 mths.)</u>
	<u>£</u>	<u>£</u>
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	10,068	6,283
Repayable within 5 years, by instalments	2,297	3,681
	<u>12,365</u>	<u>9,964</u>
Wholly or partly repayable in more than 5 years	1,320	1,760
	<u>13,685</u>	<u>11,724</u>
	=====	=====

7. TAXATION ON ORDINARY ACTIVITIES

U.K. Corporation Tax based on profit for period, at 31.5% (effective rate)	17,381	31,877
Deferred taxation adjustment	(1,306)	(1,159)
	<u>16,075</u>	<u>30,718</u>
	=====	=====

8. TANGIBLE FIXED ASSETS

	<u>Freehold</u> <u>Land &</u> <u>Buildings</u>	<u>Equipment</u>	<u>Equipment</u> <u>under Lease</u> <u>Finance</u>	<u>Fixtures</u> <u>and</u> <u>Fittings</u>	<u>Vehicles</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Cost						
At 1.4.86	34,796	91,567	-	38,285	53,629	218,277
Additions	-	33,686	49,906	61,744	44,785	190,121
(Disposals)	-	-	-	(3,600)	-	(3,600)
At 31.12.86	<u>34,796</u>	<u>125,253</u>	<u>49,906</u>	<u>96,429</u>	<u>98,414</u>	<u>404,798</u>
	=====	=====	=====	=====	=====	=====
Depreciation						
At 1.4.86	1,392	57,657	-	9,039	24,673	92,761
Charge for Period	261	18,789	2,495	4,710	13,802	40,057
At 31.12.86	<u>1,653</u>	<u>76,446</u>	<u>2,495</u>	<u>13,749</u>	<u>38,475</u>	<u>132,818</u>
	=====	=====	=====	=====	=====	=====
Net Book Value						
At 31.12.86	<u>33,143</u>	<u>48,807</u>	<u>47,411</u>	<u>82,680</u>	<u>59,939</u>	<u>271,980</u>
	=====	=====	=====	=====	=====	=====
At 31. 3.86	<u>33,404</u>	<u>33,910</u>	<u>-</u>	<u>29,246</u>	<u>28,956</u>	<u>125,516</u>
	=====	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED31ST DECEMBER, 1986(Continued)

9. INVESTMENT IN SUBSIDIARY

The investment represents the cost of shares (51%) in Chelsea Environmental Instruments Ltd.

	<u>31.12.86</u>	<u>31.3.86</u>
	<u>£</u>	<u>£</u>
10. STOCKS		
Stocks comprise:		
Materials & consumables	93,620	116,750
Work in progress	114,778	47,897
Finished goods and goods for resale	72,969	19,765
	<u>281,367</u>	<u>184,412</u>
	=====	=====
11. DEBTORS		
Amount due from subsidiary	-	1,795
Trade debtors	522,875	187,899
Other debtors	21,175	18,688
Prepayments	17,806	8,946
	<u>561,856</u>	<u>217,328</u>
	=====	=====
12. CREDITORS		
a) Amounts falling due within one year:		
Bank loans & overdrafts (Secured)	340,381	36,049
Trade creditors	320,338	181,910
Hire purchase and lease finance (Secured)	28,731	9,214
Corporation tax	60,546	43,165
Other taxation and social security	26,091	26,204
Other creditors	24,864	21,664
Accruals and deferred income	3,462	9,877
Amount due to subsidiary	15,266	-
	<u>819,679</u>	<u>328,083</u>
	=====	=====
b) Amounts falling due after more than one year:		
Bank loans (Secured)	8,616	11,496
Hire purchase & lease finance (Secured)	40,980	-
	<u>49,596</u>	<u>11,496</u>
	=====	=====

Bank loans include an amount of £10,376 (1986 - £12,466) repayable by instalments over more than five years. The interest rate is fixed at the flat rate of 8% and the loan is to be finally repaid in 1992.

CHELSEA INSTRUMENTS LTD.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD OF 9 MONTHS ENDED

31ST DECEMBER, 1986

(Continued)

13.	PROVISIONS FOR LIABILITIES AND CHARGES	<u>31.12.86</u>	<u>31.3.86</u>
		<u>£</u>	<u>£</u>
	Deferred taxation:		
	Amount provided for excess of capital allowances over depreciation	12,750 =====	14,056 =====
	Total potential liability for above	12,750 =====	14,056 =====
14.	CALLED UP SHARE CAPITAL		
	Authorised:		
	100,000 Shares of £1 each	100,000 =====	100,000 =====
	Allotted, called up and fully paid		
	50,000 Shares of £1 each	50,000 =====	50,000 =====
15.	CAPITAL COMMITMENTS		
	Contracted for, but not provided	- =====	- =====
	Authorised, but not contracted for	20,000 =====	50,000 =====
16.	TRANSACTIONS WITH DIRECTORS		
	The company pays consultancy fees to a company in which a director, Mr. M.B. Kershen, has a material interest. The amount paid in the period was £8,550 (1986 - £8,475).		
17.	GUARANTEES FOR ASSOCIATED COMPANIES		
	The company has guaranteed bank borrowings of its subsidiary company and a company associated by common control under cross-guarantee arrangements. The guarantees are secured by a charge on the company's assets.		