

CHELTON (ELECTROSTATICS) LIMITED

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FINANCIAL STATEMENTS

YEAR ENDED 30TH. APRIL 1985

Grant Thornton
Chartered Accountants
High Wycombe
Bucks.



REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30th April 1985.

1. Review of the business

The company is principally engaged in the design, development and manufacture of antennas, static dischargers and homing systems for the aircraft industry.

Increasing international competition and a decline in the U.K. market has continued to affect margins and has necessitated the company embarking on a major re-organisation and upgrading of its technological base.

2. Results and dividends

The profit for the year after taxation amounted to £604,458 (1984 - £490,789). The directors recommend dividends of £600,000. The profit of £4,458 has been retained.

3. Research and development

The company continued to engage in research and development since the directors regard this as important for the future growth of the company.

4. Directors

The directors of the company are listed below and served on the Board throughout the year except where indicated:

G.C.Cooper
R.Grey
H.Cotton
G.Williams (retired 15. 5.84)
D.B. Ireson
C. McLintock (appointed 15. 5.84)

Mrs. H. Cotton retires by rotation and being eligible offers herself for re-election.

The interests of the directors in the shares of the ultimate holding company are disclosed in that holding company's financial statements.

REPORT OF THE DIRECTORS

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5. Fixed assets

The principal items of capital expenditure were improvements to freehold land and buildings £133,222, plant £352,755 and motor vehicles £58,730.

6. Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with Section 384(1) of the Companies Act 1985.

BY ORDER OF THE BOARD



Secretary

Fieldhouse Lane,
Marlow,
Bucks.

16/4/86

REPORT OF THE AUDITORS
TO THE MEMBERS OF
CHELTON (ELECTROSTATICS) LIMITED

We have audited the financial statements on pages 4 to 15 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 30th. April 1985 and of its profit and source and application of funds for the year ended on that date and comply with the Companies Act 1985.

16 April 1986

Grant Thornton

Chartered Accountants

High Wycombe

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH. APRIL 1985

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below:

(a) Turnover

(i) Turnover is the total amount receivable by the company in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding V.A.T. and trade discounts. Subject to (ii) below goods are treated as sales at the date of despatch.

(ii) Goods sold to the Ministry of Defence are not treated as sales until the Ministry formally accepts them.

(b) Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets excluding freehold land and buildings by equal annual instalments over their expected useful lives. The effect of not depreciating freehold buildings is not material.

The periods generally applicable are:

Plant and equipment	1 - 10 years
Motor vehicles	4 years

(c) Research and development

Research and development expenditure is charged to profits in the period in which it is incurred.

(d) Stock and work in progress

Stock and work in progress is stated at the lower of cost and net realisable value.

In the case of raw materials and consumable stores, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. In the case of work in progress and finished goods, cost consists of direct materials, direct labour and attributable production overheads.

Net realisable value means estimated selling price (less trade discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

ACCOUNTING POLICIES

FOR THE YEAR ENDED 30TH. APRIL 1985

contd...

(e) Deferred taxation

Deferred taxation is the taxation attributable to timing differences between profits computed for taxation purposes and profits as stated in the financial statements.

Provision is made for deferred taxation, except to the extent that there is a reasonable probability of the tax not falling due for payment in the foreseeable future. Such tax not provided for is disclosed as a contingent liability.

Transfers to and from deferred taxation are calculated taking account of the current and future rates of corporation tax, adjusting for any changes in rate as compared with the preceding period.

(f) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account. The accounting policy for foreign currency translation is as prescribed by Statement of Standard Accounting Practice 20. It may involve reporting unrealised exchange gains on unsettled long term monetary items as part of the profit or loss for the period. The directors consider that this policy (which represents a departure from statutory accounting principles) is necessary to provide a true and fair view.

g) Contributions to pension funds

The company operates a pension scheme under which contributions by employees and the company are administered by trustees in a fund independent from the company's assets. Contributions are charged against profit to cover the cost of benefits arising from the current service of employees. This cost is determined by actuarial valuation.

Adjustments relating to past service are charged to profit and loss account in the year any underfunding is identified. Full actuarial valuations are made regularly at three year intervals and contribution levels reviewed.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH. APRIL 1985



	<u>Note</u>	<u>1985</u>	<u>1984</u>
		£ 000's	£ 000's
Turnover	1.	4,119	4,002
Operating charges and other operating income	2.	3,052	3,188
Operating profit		1,067	814
Interest receivable	3.	140	139
		1,207	953
Interest payable	4.	250	263
Profit on ordinary activities before taxation		957	690
Tax on profit on ordinary activities	6.	352	199
Profit on ordinary activities after taxation		605	491
Dividends	7.	600	475
Profit retained	16.	5	16

The accounting policies on pages 4 and 5 and the notes on pages 9 to 15
form part of these financial statements

BALANCE SHEET AT 30TH. APRIL 1985

	<u>Note</u>	<u>1985</u>	<u>1984</u>
		£ 000's	£ 000's
Tangible fixed assets	8.	1,026	714
Current assets			
Stocks	9.	656	659
Debtors	10.	2,361	1,821
Investments	11.	575	500
Cash at bank and in hand		<u>6</u>	<u>13</u>
		3,598	2,993
Creditors: Amounts falling due within one year	12.	<u>3,905</u>	<u>3,049</u>
Net current liabilities		(307)	(56)
Total assets less current liabilities		719	658
Provision for liabilities and charges	13.	<u>312</u>	<u>256</u>
		407	402
Capital and Reserves			
Called up share capital	15.	-	-
Profit and loss account	16.	<u>407</u>	<u>402</u>
		407	402

The financial statements were approved by the Board of Directors
on 16.4.86


 16-4-86.)
) DIRECTORS
)

The accounting policies on pages 4 and 5 and the notes on pages 9 to 15
form part of these financial statements

STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30TH. APRIL 1985

	<u>1985</u>		<u>1984</u>	
	£	£	£	£
	000's	000's	000's	000's
Source of funds				
From operations				
Profit on ordinary activities before tax		957		690
Adjustments for items not involving the movement of funds:				
Depreciation		218		160
Profit on disposal of fixed assets		(6)		-
Warranty provision		100		-
		<u>1,269</u>		<u>850</u>
From other sources				
Tax repaid		54		56
Sale of fixed assets		20		3
		<u>1,343</u>		<u>909</u>
Application of funds				
Dividend paid	-		800	
Taxation paid	198		580	
Purchase of fixed assets	544		546	
Payment to holding company for ACT surrendered	-		62	
		<u>742</u>		<u>1,988</u>
Net inflow/(outflow) of funds		601		(1,079)
Increase/(decrease) in working capital				
Stock and work in progress		(3)		(54)
Debtors		47		(617)
Creditors		5		(216)
Group companies		<u>571</u>		<u>(127)</u>
		620		(1,014)
Net liquid funds				
Investments	75		147	
Bank and cash	(7)		(130)	
Bank overdraft	(87)		(82)	
		<u>(19)</u>		<u>(65)</u>
Net increase/(decrease) in working capital		601		(1,079)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

1. Turnover and profit on ordinary activities before taxation

The turnover and profit before taxation is attributable to one activity, the manufacture and sale of aircraft aerals, navigational howing equipment and static dischargers for the aircraft industry.

No analysis of sales by geographical area has been disclosed since the directors consider that such disclosure would be seriously prejudicial to the interests of the company.

2. Operating charges and other operating income

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
Change in stocks of finished goods and work in progress	(52)	114
Raw materials and consumables	580	420
Other external charges	145	127
Staff costs (including Research and Development £143,521 (1984 £292,681))	1,637	1,544
Depreciation	218	160
Research and development	23	36
Auditors' remuneration	9	9
Other operating charges	492	778
	<u>3,052</u>	<u>3,188</u>

3. Interest receivable

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
Interest on loans to group companies	89	64
Short term deposit interest	51	75
	<u>140</u>	<u>139</u>

4. Interest payable

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
To holding company	250	250
On other loans repayable within 5 years, otherwise than by instalments	-	13
	<u>250</u>	<u>263</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

contd...

5. Directors' and employees

	<u>1985</u> £ 000's	<u>1984</u> £ 000's
Staff costs during the year:		
Wages and salaries	1,453	1,343
Social security	93	87
Pension costs	91	114
	<u>1,637</u>	<u>1,544</u>

The average number of employees of the company during the year were as follows:

	<u>1985</u>	<u>1984</u>
Production	108	112
Administration	23	20
Selling	5	3
Development	15	11
	<u>151</u>	<u>146</u>

Staff costs include remuneration in respect of directors, as follows:

	<u>1985</u> £ 000's	<u>1984</u> £ 000's
Management remuneration (including benefits in kind of £4,800)	<u>289</u>	<u>355</u>

The emoluments of the directors, excluding pension contributions, were as follows:

	<u>1985</u> £ 000's	<u>1984</u> £ 000's
The Chairman	93	92
Other directors	<u>Number</u>	<u>Number</u>
£ 0 to £ 5,000	1	3
£15,001 to £20,000	1	-
£75,001 to £80,000	1	1
£85,001 to £90,000	1	1
£90,001 to £95,000	-	1

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

contd...

6. Tax on profit on ordinary activities

The taxation charge based on the profit for the year is made up as follows:

	£ 1985 000's	£ 1984 000's
United Kingdom corporation tax @ 45/40% (1984 52/45%)	396	225
Corporation tax - overprovision 1981	-	56
1982	-	80
1983	-	20 (156)
Deferred tax	(44) <u>352</u>	130 <u>199</u>

Balance sheet

The amount shown for taxation included in creditors due within one year represents:

	£ 1985 000's	£ 1984 000's
Corporation tax payable 1st. February 1986	341	225
Corporation tax payable currently	27 <u>368</u>	- <u>225</u>

The amount shown under current assets represents:

	£ 1985 000's	£ 1984 000's
Corporation tax recoverable in respect of:		
30th. April 1982	129	129
30th. April 1983	- <u>129</u>	54 <u>183</u>

7. Dividends

	£ 1985 000's	£ 1984 000's
Ordinary shares		
Proposed final dividend of £6,000 per share (1984 - £4,750)	600 <u>600</u>	475 <u>475</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

contd...

8. Tangible fixed assets

	Total	Freehold land and buildings	Plant and Motor equipment vehicles	
	£000's	£000's	£000's	£000's
Cost at 1st. May 1984	1,164	205	857	102
Additions	544	133	352	59
	1,708	338	1,209	161
Disposals	49	-	-	49
At 30th. April 1985	1,659	338	1,209	112
Depreciation				
At 1st. May 1984	450	-	393	57
Provided in the year	218	-	189	29
	668	-	582	86
Disposals	35	-	-	35
At 30th. April 1985	633	-	582	51
Net book amount at 30th. April 1985	1,026	338	627	61
Net book amount at 30th. April 1984	714	205	464	45

9. Stock and work in progress

	1985	1984
	£	£
	000's	000's
Raw materials and consumable stores	203	258
Work in progress	132	129
Finished goods	321	272
	<u>656</u>	<u>659</u>

The replacement cost is not considered to be materially different from the values used in the financial statements.

10. Debtors

	1985	1984
	£	£
	000's	000's
Amounts falling due within one year:		
Trade debtors	471	474
Taxation	129	183
Amounts owed by group companies	904	357
Prepayments and accrued income	99	49
	<u>1,603</u>	<u>1,063</u>
Amounts falling due after more than one year:		
Amounts owed by group companies	758	758
	<u>2,361</u>	<u>1,821</u>

Included in the amount owed by group companies is a loan of £700,000 to Limbourn Limited to assist in the purchase of the share capital of Chelton (Holdings) Limited, the company's holding company.

Also included is an amount of £57,684 lent to Chelton Inc. for the purchase of premises.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

contd...

11. Investments

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
Certificates of tax deposit	200	200
Bank deposits	375	300
	<u>575</u>	<u>500</u>

12. Creditors

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
Amounts falling due within one year:		
Bank overdrafts	169	82
Trade creditors	315	345
Amounts owed to group companies	1,317	1,286
Current taxation	368	225
Social security and other taxes	85	107
Proposed dividends	1,075	475
Other creditors	389	253
Accruals	187	276
	<u>3,905</u>	<u>3,049</u>

Included in amounts owed to group companies is £1,316 in respect of the holding company (1984 £1,286).

13. Provision for liabilities and charges

	<u>Total</u>	<u>Deferred taxation</u>	<u>Provision for</u>
	£	(Note 14)	warranties
	£	£	£
	000's	000's	000's
At 1st. May 1984	256	256	-
Provided during the year	56	(44)	100
At 30th April 1985	<u>312</u>	<u>212</u>	<u>100</u>

14. Deferred taxation

Deferred taxation which has been fully provided for in the financial statements is set out below:

	<u>1985</u>	<u>1984</u>
	£	£
	000's	000's
Accelerated capital allowances	195	219
Other timing differences	17	37
	<u>212</u>	<u>256</u>

15. Called up share capital

	<u>1985</u>	<u>1984</u>
	£	£
Authorised, allotted, called up and fully paid	100	100
Ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH. APRIL 1985

contd.

16. Profit and loss account

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
	000's	000's
Retained profits at 1st May 1984	402	386
Profit for year	5	16
Retained profits at 30th April 1985	<u>407</u>	<u>402</u>

17. Capital commitments

	<u>1985</u> <u>£</u>	<u>1984</u> <u>£</u>
	000's	000's
Contracted	86	-
Authorised but not contracted	37	-
	<u>123</u>	<u>-</u>

18. Contingent liabilities

The company has given a guarantee to Barclays Merchant Bank Ltd. securing the repayment by its ultimate holding company of a sum outstanding of £700,000 and related interest charges. There is a fixed and floating charge of £1 million over the whole undertaking in favour of Barclays Merchant Bank Ltd. in respect of the guarantee given.

Mr. Charles Cooper, a former director of the company, has threatened proceedings for damages arising out of the termination of his employment. No specific amount has been claimed and no proceedings have commenced.

The other contingent liabilities at 30th. April 1985 and 30th. April 1984 were possible future claims against the company under four year warranties given with sales for which £100,000 has been provided this year.

19. Pension commitments

The company has a contributory pension scheme designed to provide retirement benefits based on final salary for its directors and employees. The actuarial valuation arranged by Guardian Royal Exchange Assurance Company Limited was completed on 30th. November 1983 with respect to the position at 1st. August 1983, and indicated that the present funding arrangements are considered satisfactory and adequate to meet the future liabilities of the scheme.

NOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 30TH. APRIL 1985

contd...

20. Transactions with directors

During the year the following director had a material interest in a contract for the benefit of the company:

<u>Name of director</u>	<u>Name of party with direct interest</u>	<u>Nature of interest</u>	<u>Value of transaction or arrangement</u>
H.N. Cotton	Key West Limited	Lease of property in Plymouth to Chelton (Holdings) Limited, the company's immediate holding company for the benefit of the company.	£10,000 per annum

21. Ultimate holding company

The directors consider that the ultimate holding company of this company is Linborn Limited which is registered in England.