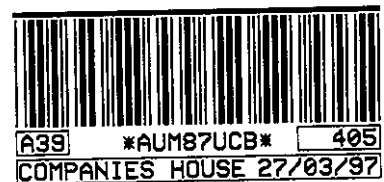


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SOLOMAT LIMITED
REPORT AND ACCOUNTS
30TH SEPTEMBER 1996

COMPANY NO. 2042988



SOLOMAT LIMITED

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SOLOMAT LIMITED

COMPANY INFORMATION

Directors	Dr. A.P.A. Pechota (Swiss) M. Cordier (French) Dr. R.L. Van Ewyk W.J. Lancashire
Secretary	J.D. Cucksey F.C.A.
Registered Office	Parsonage Road Takeley Bishop's Stortford Herts CM22 6PU
Registered Auditors	Robson Rhodes Chartered Accountants Daedalus House Station Road Cambridge CB1 2RE
Solicitors	Hewitson Becke & Shaw Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
Bankers	Midland Bank Plc Harlow Town Centre Gate House The High Harlow Essex CM20 1LL
Company Number	2042988

SOLOMAT LIMITED

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their report together with the audited accounts for the year ended 30th September 1996.

ACTIVITY

The principal activity of the company is the manufacture and sale of precision electronic measuring instruments, mainly for airflow and water quality measurement.

REVIEW OF THE BUSINESS

The company continued to trade profitably and the Directors continue to take active steps to increase sales. Spending on research and development has been maintained. This is expected to ensure the future growth of the business.

RESULTS

The results for the period are set out on page 5.

DIVIDENDS

The Directors do not recommend the payment of a dividend.

FIXED ASSETS

The movement in the tangible fixed assets account is set out in Note 7 to the Accounts.

DIRECTORS

P. Gotley, H.V. Feldman, J.D. Cucksey and P.J. Royer-Collard were Directors throughout the year to 30th September 1996. They all resigned on 30th November 1996. T.K. Gibbs, J.R. Saffell and P.J. Andrews resigned on 30th January 1996, 2nd August 1995 and 10th January 1996 respectively.

Dr. A.P.A. Pechota, M. Cordier, Dr.R.L. van Ewyk and W.J. Lancashire were appointed Directors on 29th November 1996.

DIRECTORS' INTERESTS

None of the Directors have any interest in the share capital of the company.

P. Gotley, J.D. Cucksey, H.V. Feldman and P.J. Royer-Collard were, at 30th September 1996, all Directors of the holding company, Neotronics Technology PLC., and their interest in the shares of that company are shown in its Directors' Report.

SOLOMAT LIMITED

REPORT OF THE DIRECTORS (Continued)

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

Company law requires the Directors to prepare financial accounts 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 these financial accounts, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial accounts on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial accounts 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.

The Report of the Directors was approved by the Board on 27th January 1997 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'J. D. Cucksey', with a long horizontal flourish extending to the right.

John Davenport Cucksey
Secretary

SOLOMAT LIMITED
REPORT OF THE AUDITORS
TO THE MEMBERS OF
SOLOMAT LIMITED

We have audited the accounts on pages 5 to 13 which have been prepared on the basis of the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30th September 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Cambridge
27th January 1997


ROBSON RHODES
Chartered Accountants and
Registered Auditor

SOLOMAT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30TH SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
TURNOVER	2	2,121,899	2,048,475
Cost of sales		(1,333,507)	(1,096,595)
GROSS PROFIT		<hr/> 788,392	<hr/> 951,880
Distribution costs		(302,614)	(336,274)
Research and development		(345,972)	(344,014)
Administrative expenses		(98,291)	(176,082)
OPERATING PROFIT	4	<hr/> 41,515	<hr/> 95,510
Exceptional item: Reorganisation costs		(5,784)	(96,191)
Profit on ordinary activities before interest		<hr/> 35,731	<hr/> (681)
Interest received		332	1,080
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<hr/> 36,063	<hr/> 499
Tax on profit on ordinary activities	6	-	-
PROFIT AFTER TAXATION AND RETAINED PROFIT FOR THE YEAR		<hr/> 36,063 =====	<hr/> 499 =====

There were no gains or losses in the year other than the profit for the year. The movement on reserves is set out in Note 14 on Page 12.

The results of the period all relate to continuing operations.

SOLOMAT LIMITED
BALANCE SHEET
AT 30TH SEPTEMBER 1996

	<u>Notes</u>	<u>1996</u> £	<u>1995</u> £
FIXED ASSETS			
Tangible assets	7	112,450	150,662
CURRENT ASSETS			
Stocks	8	596,547	566,055
Debtors	9	462,194	425,501
Cash at bank and in hand		153,714	134,360
		1,212,455	1,125,916
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Trade creditors		(120,321)	(76,082)
Other creditors	10	(1,020,357)	(1,052,332)
		(1,140,678)	(1,128,414)
NET CURRENT ASSETS/(LIABILITIES)		71,777	(2,498)
TOTAL ASSETS LESS CURRENT LIABILITIES		184,227	148,164
CREDITORS:			
Amounts falling due after more than one year	11	(1,088,235)	(1,088,235)
		(904,008)	(940,071)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	13	4,000	4,000
Profit and loss account	14	(908,008)	(944,071)
		(904,008)	(940,071)
		=====	=====
MOVEMENT IN SHAREHOLDERS FUNDS (All Equity)			
Opening shareholders deficit		(940,071)	(940,570)
Profit for the year		36,063	499
CLOSING SHAREHOLDERS DEFICIT		(904,008)	(940,071)
		=====	=====

These Accounts were approved by the Board on 27th January 1997 and signed on its behalf by:

Dr. A.P.A. Pechota
Director



SOLOMAT LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 30TH SEPTEMBER 1996

1. ACCOUNTING POLICIES

The principal accounting policies adopted by the company in the preparation of its accounts are as follows:

Basis of Accounting

The accounts are prepared in accordance with applicable accounting standards under the historical cost convention and under the going concern concept because the parent company has agreed not to require payment of monies due so long as there are net liabilities on the balance sheet.

The company is exempt from publishing a cash flow statement because it is a wholly owned subsidiary company of Neotronics Technology PLC which publishes a consolidated cash flow statement.

Depreciation

Depreciation is provided in equal annual instalments at the following rates:

Motor vehicles	25% or 33%
Plant, fixtures and fittings	20%
Tools	33 1/3%
Short lease property	Over the period of the lease

Stocks

Stocks of raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value. In the case of work in progress and finished goods, cost includes an appropriate proportion of attributable manufacturing and other overheads. Net realisable value is actual or estimated selling price less all further costs to completion.

Deferred Taxation

Provision is made for deferred taxation in respect of the excess of the net book value of fixed assets over their corresponding written down value for tax purposes and other short-term timing differences, to the extent that, in the opinion of the directors, the liability is likely to arise in the foreseeable future.

Pensions

The company operates a pension scheme. The scheme is a defined contribution scheme where the pension benefits are directly determined by the contribution paid in respect of each member.

Foreign currencies

Assets and liabilities stated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses included in the profit and loss account. No account is taken of the effect of fluctuations in exchange rates occurring after the year end. All other exchange differences are reflected in the profit and loss account for the year.

SOLOMAT LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 30TH SEPTEMBER 1996 (Continued)

1. ACCOUNTING POLICIES (Continued)

Government and other grants

Capital

Grants received in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Revenue

Revenue grants and contributions receivable in respect of development expenditure are credited against the expenditure to which they relate.

Research and Development

Expenditure on patents, research and development is written off as incurred.

Claims under Warranty

Costs in respect of claims under warranty are expensed as incurred.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

2. TURNOVER

Turnover comprises invoiced sales less returns, excluding VAT.

	<u>1996</u> £	<u>1995</u> £
Turnover analysed by geographical market:		
U.K.	808,952	771,450
Overseas	1,312,947	1,277,025
	<hr/>	<hr/>
	2,121,899	2,048,475
	=====	=====

3. EMPLOYEES

Average number of people (including directors) employed by the company during the year to 30th September 1995.

	<u>Number of Employees</u>	
	<u>1996</u>	<u>1995</u>
Production	19	20
Research and development	6	9
Selling	7	9
Administration	3	4
	<hr/>	<hr/>
	35	42
	=====	=====

SOLOMAT LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 30TH SEPTEMBER 1996 (Continued)

3. EMPLOYEES Continued

	<u>1996</u> £	<u>1995</u> £
Costs in respect of these employees:		
Wages and salaries	563,841	678,505
Social security costs	57,512	69,207
Pension costs	10,759	9,674
	<u>632,112</u> =====	<u>757,386</u> =====

4. OPERATING PROFIT

	<u>1996</u> £	<u>1995</u> £
Operating profit is stated after charging:		
Directors' remuneration including costs of terminating service contract (Note 5)	82,663	94,462
Auditor's remuneration - audit services	9,000	9,000
Depreciation	45,731	44,464
Operating leases: property	49,860	48,590
	<u>=====</u>	<u>=====</u>

5. DIRECTORS' MANAGEMENT REMUNERATION

The remuneration of the Directors, who are not remunerated by the group companies and excluding pension contributions, is as follows:

	<u>1996</u> £	<u>1995</u> £
Highest paid director, including costs of terminating service contract	82,165 =====	47,011 =====

The remuneration of the above director fell in the following ranges:

	Number of directors	
	<u>1996</u>	<u>1995</u>
£45,001 - £50,000	-	1
£80,001 - £85,000	1	-

SOLOMAT LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 30TH SEPTEMBER 1996 (Continued)

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u> £	<u>1995</u> £
Charge for taxation based on profit for the year:		
Corporation tax at 33% (1994: 33%)	-	-
Deferred taxation	-	-
	<hr/>	<hr/>
Adjustment in respect of previous years:		
Corporation tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

No charge to taxation arises in the year. The company has losses of approximately £320,000 (1995: £304,000) available to carry forward for relief against future trading profits. Credit has been taken in these accounts for tax relief on the reorganisation costs included in the exceptional item as disclosed in the accounts for the year ended 30th September 1995.

7. TANGIBLE ASSETS

	Plant, fixtures fittings & tooling £	Short lease property £	Total £
Cost			
At 30th September 1995	395,166	48,190	443,356
Additions	7,519	-	7,519
	<hr/>	<hr/>	<hr/>
At 30th September 1996	402,685	48,190	450,875
Depreciation			
At 30th September 1995	287,295	5,399	292,694
Charge for year	43,738	1,993	45,731
	<hr/>	<hr/>	<hr/>
At 30th September 1996	331,033	7,392	338,425
Net book values			
At 30th September 1996	71,652	40,798	112,450
	<hr/>	<hr/>	<hr/>
At 30th September 1995	107,871	42,791	150,662
	<hr/>	<hr/>	<hr/>

SOLOMAT LIMITED

**NOTES TO THE ACCOUNTS
YEAR ENDED 30TH SEPTEMBER 1996
(Continued)**

8. STOCKS

	<u>1996</u> £	<u>1995</u> £
Raw materials	316,368	297,804
Work in progress	143,221	144,130
Finished goods	136,958	124,121
	<hr/> 596,547 <hr/> <u>=====</u>	<hr/> 566,055 <hr/> <u>=====</u>

9. DEBTORS

	<u>1996</u> £	<u>1995</u> £
Trade debtors	195,924	234,140
Other debtors	4,080	43
Prepayments and accrued income	18,303	23,862
Amounts due from fellow subsidiaries	243,887	167,456
	<hr/> 462,194 <hr/> <u>=====</u>	<hr/> 425,501 <hr/> <u>=====</u>

10. OTHER CREDITORS

	<u>1996</u> £	<u>1995</u> £
Amounts due to parent company	970,015	890,666
Corporation tax	-	-
Other taxes and social security	-	5,175
Accruals and deferred income	50,342	156,491
Amounts due to fellow subsidiaries	-	-
Other creditors	-	-
	<hr/> 1,020,357 <hr/> <u>=====</u>	<hr/> 1,052,332 <hr/> <u>=====</u>

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

	<u>1996</u> £	<u>1995</u> £
10% unsecured loan stock	1,088,235 <hr/> <u>=====</u>	1,088,235 <hr/> <u>=====</u>

The 10% unsecured loan stock is held by the company's parent company, Neotronics Limited, and is redeemable at par together with accrued interest on 31st December 2001.

SOLOMAT LIMITED
NOTES TO THE ACCOUNTS
YEAR ENDED 30TH SEPTEMBER 1996
(Continued)

12. DEFERRED TAXATION

No provision has been made for deferred taxation as there are no material timing differences.

13. CALLED UP SHARE CAPITAL

	<u>1996</u> £	<u>1995</u> £
Authorised: 10,000 ordinary shares of £10 each	<u>100,000</u> =====	<u>100,000</u> =====
Allotted called up, and fully paid: 400 ordinary shares of £10 each fully paid	<u>4,000</u> =====	<u>4,000</u> =====

14. PROFIT AND LOSS ACCOUNT

	£
At 30th September 1995	(944,071)
Profit for the year	36,063
	<hr/>
At 30th September 1996	<u>(908,008)</u> =====

15. LEASING COMMITMENTS

The annual commitments under operating leases analysed according to the period in which each lease expires, are as follows:

	<u>1996</u> £	<u>1995</u> £
i) Premises		
- within one year	-	6,200
- two to five years	-	-
- over five years	<u>38,600</u>	<u>42,100</u>
	<hr/>	<hr/>
	<u>38,600</u> =====	<u>48,300</u> =====
ii) Plant and machinery		
- within one year	-	1,470
- two to five years	-	-
	<hr/>	<hr/>
	<u>-</u> =====	<u>1,470</u> =====

SOLOMAT LIMITED

NOTES TO THE ACCOUNTS YEAR ENDED 30TH SEPTEMBER 1996 (Continued)

16. CONTINGENT LIABILITIES

The company is party to an unlimited multilateral guarantee on group borrowings. Group borrowings at 30th September 1996 under this guarantee amounted to £1,370,000 (1995: £842,000).

17. HOLDING COMPANY

Solomat Limited is a 100% owned subsidiary of Neotronics Limited. Its parent company is Neotronics Technology PLC., both companies are incorporated in England and Wales and they are situated at the registered office of the company noted on page 1. Their accounts may be obtained from Companies House in Cardiff.

Since 30th September 1996 Hesta AG, a company incorporated in Switzerland, has become the ultimate holding company.