

3440964

BARTON INSTRUMENT SYSTEMS LIMITED

Report and Accounts

31 December 2001

 ERNST & YOUNG



Barton Instrument Systems Limited

Registered No. 3440964

DIRECTORS

G Hofmeister
P Broome

SECRETARIES

I Challen
J K Warren

AUDITORS

Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

BANKERS

NatWest Bank plc
60 High Street
Bognor Regis
West Sussex
PO21 1SL

REGISTERED OFFICE

3 Steyning Way
Bognor Regis
West Sussex
PO22 9TT

ERNST & YOUNG



Barton Instrument Systems Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2001.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £17,887 (2000: loss of £78,102) and has been transferred to reserves. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company's principal activity during the year has been the manufacture and distribution of process instrumentation.

FUTURE DEVELOPMENTS

It is the intention of the directors that the company shall continue to expand its activities in its core market.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 8 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

G Hofmeister

P Broome

There are no directors' interests requiring disclosure under the Companies Act 1985.

AUDITORS

Ernst & Young LLP will be re-appointed as the company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



Secretary
20 August 2002

Barton Instrument Systems Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial period 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 accounts, the directors are required to:

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

The 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARTON INSTRUMENT SYSTEMS LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 Companies Act 1985. 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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 perform 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 affairs of the company as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Southampton
20 August 2002

Barton Instrument Systems Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2001

	Notes	2001 £	2000 £
TURNOVER	2	6,546,305	5,094,530
Cost of sales		4,828,346	3,795,718
GROSS PROFIT		1,717,959	1,298,812
Administrative expenses		1,694,941	1,427,717
OPERATING PROFIT/(LOSS)	3	23,018	(128,905)
Interest receivable	4	15,736	12,339
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		38,754	(116,566)
Tax on profit/(loss) on ordinary activities	7	20,867	(38,464)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	15	17,887	(78,102)

There are no recognised gains or losses other than the profit attributable to shareholders of the company of £17,887 in the year ended 31 December 2001 and the loss of £78,102 in the year ended 31 December 2000.

Barton Instrument Systems Limited

BALANCE SHEET

at 31 December 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Intangible Assets	8	34,488	-
Tangible assets	9	131,543	164,826
		<hr/>	<hr/>
CURRENT ASSETS		166,031	164,826
Stock	10	1,191,053	880,922
Debtors	11	1,710,477	1,185,510
Cash at bank and in hand		18,929	217,065
		<hr/>	<hr/>
		2,920,459	2,283,497
CREDITORS: amounts falling due within one year	12	2,558,617	1,931,591
		<hr/>	<hr/>
NET CURRENT ASSETS		361,842	351,906
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		527,873	516,732
PROVISIONS FOR LIABILITIES AND CHARGES	13	17,353	24,099
		<hr/>	<hr/>
		510,520	492,633
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	14	500,000	500,000
Profit and loss account	15	10,520	(7,367)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS - equity interests		510,520	492,633
		<hr/>	<hr/>


.....

Director
20 August 2002

Barton Instrument Systems Limited

STATEMENT OF CASH FLOWS for the year ended 31 December 2001

	<i>Notes</i>	<i>2001</i> £	<i>2000</i> £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	16(a)	(189,522)	(31,443)
RETURNS ON INVESTMENT AND SERVICING OF FINANCE	16(b)	15,736	12,339
TAXATION	16(b)	27,303	(30,440)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	16(b)	(51,653)	(54,470)
DECREASE IN CASH	16(c)	(198,136)	(104,014)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Net funds at 31 December 2000		217,065	321,079
Decrease in cash in the year	16(c)	(198,136)	(104,014)
Net funds at 31 December 2001		18,929	217,065

NOTES TO THE ACCOUNTS

at 31 December 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised in line with the expected future sales from the related project.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold improvements	-	over the lease term
Fixtures, fittings and computer equipment	-	over 3 years
Plant and machinery	-	over 3 to 5 years

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value, as follows:

Raw materials	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

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

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

1. ACCOUNTING POLICIES (continued)

Provisions for liabilities and charges

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover and profit are attributable to the continuing principal activity.

An analysis of turnover by geographical market is given below:

	2001 £	2000 £
United Kingdom	1,611,560	2,008,450
Europe	1,598,478	991,822
Middle East	1,690,111	748,609
Africa	535,273	306,112
Far East	989,043	1,001,239
United States of America and Canada	121,840	38,298
	<u>6,546,305</u>	<u>5,094,530</u>

3. OPERATING PROFIT

This is stated after charging:

	2001 £	2000 £
Auditors' remuneration - audit services	9,950	9,750
Depreciation of owned fixed assets	50,448	51,057
Foreign exchange loss	35,924	397
Operating lease rentals - plant and machinery	32,784	35,100
- land and buildings	65,000	63,000
	<u></u>	<u></u>

4. INTEREST RECEIVABLE

	2001 £	2000 £
Bank interest	14,623	12,339
Other interest receivable	1,113	-
	<u>15,736</u>	<u>12,339</u>

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

5. DIRECTORS' REMUNERATION

	2001	2000
	£	£
Emoluments (including pension contributions)	69,830	62,016

One director accrues benefits under a money purchase pension scheme.

6. STAFF COSTS

	2001	2000
	£	£
Wages and salaries	642,287	592,271
Social security costs	55,832	52,081
Other pension costs	53,210	34,699
	751,329	679,051

The monthly average number of employees during the year was as follows:

	2001	2000
	No.	No.
Sales	13	11
Production	18	16
Administration	6	6
	37	33

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001	2000
	£	£
UK Corporation tax:		
Charge / (credit) on profits of the period	13,970	(38,464)
Adjustments in respect of previous periods	6,897	-
	20,867	(38,464)

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

8. INTANGIBLE FIXED ASSETS

	<i>Capitalised Development Costs £</i>
<i>Cost:</i>	
At 1 January 2001	-
Additions	34,488
At 31 December 2001	34,488
<i>Amortisation:</i>	
At 1 January 2001 and 31 December 2001	-
Net book value at 31 December 2001	34,488
Net book value at 1 January 2001	-

9. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements £</i>	<i>Computers, fixtures and fittings £</i>	<i>Plant and machinery £</i>	<i>Total £</i>
<i>Cost:</i>				
At 1 January 2001	129,921	69,517	83,547	282,985
Additions	1,447	6,487	9,231	17,165
At 31 December 2001	131,368	76,004	92,778	300,150
<i>Depreciation:</i>				
At 1 January 2001	27,469	45,336	45,354	118,159
Provided during the year	19,138	16,064	15,246	50,448
At 31 December 2001	46,607	61,400	60,600	168,607
Net book value at 31 December 2001	84,761	14,604	32,178	131,543
Net book value at 1 January 2001	102,452	24,181	38,193	164,826

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

10. STOCKS

	2001 £	2000 £
Raw materials	835,342	815,157
Work in progress	133,971	36,389
Finished goods	221,740	29,376
	<u>1,191,053</u>	<u>880,922</u>

11. DEBTORS

	2001 £	2000 £
Trade debtors	1,498,926	1,047,980
Corporation Tax	-	34,200
Other debtors	148,671	71,743
Prepayments and accrued income	62,880	31,587
	<u>1,710,477</u>	<u>1,185,510</u>

12. CREDITORS: amounts falling due within one year

	2001 £	2000 £
Trade creditors	467,352	230,964
Amounts owed to group undertakings	1,834,100	1,584,763
Corporation tax	13,970	-
Accruals and other creditors	243,195	115,864
	<u>2,558,617</u>	<u>1,931,591</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

Provision for maintenance warranties	£
At 1 January 2001	24,099
Arising during the year	-
Utilised	(6,746)
At 31 December 2001	<u>17,353</u>

A provision is recognised for expected warranty claims on products sold during the last two years. It is expected that most of these costs will be incurred in the next financial year and that all will have been incurred within two years of the balance sheet date.

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

14. SHARE CAPITAL

	2001	Authorised 2000	Allotted, called up and fully paid	
	No.	No.	2001	2000
			£	£
Ordinary shares of £1 each	500,000	500,000	500,000	500,000

15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Total £
At 1 January 2000	500,000	70,735	570,735
Loss for the year	-	(78,102)	(78,102)
At 1 January 2001	500,000	(7,367)	492,633
Profit for the year	-	17,887	17,887
At 31 December 2001	500,000	10,520	510,520

16. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash outflow from operating activities:

	2001 £	2000 £
Operating Profit/(Loss)	23,018	(128,905)
Depreciation	50,448	51,058
Increase/(Decrease) in debtors	(559,167)	43,905
Increase in stocks	(310,131)	(85,879)
Increase in creditors	613,056	88,378
Decrease in Warranty provision	(6,746)	-
Net cash outflow from operating activities	(189,522)	(31,443)

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

16. NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

- (b) Analysis of cash flows for headings netted in the statement of cash flows:

	2001 £	2000 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	15,736	12,339
TAXATION		
UK Corporation Tax	27,303	(30,440)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(17,165)	(54,470)
Payments to acquire intangible fixed assets	(34,488)	-
	(51,653)	(54,470)

- (c) Analysis of changes in net funds:

	At 31 December 2000 £	Cash flow £	At 31 December 2001 £
Cash at bank and in hand	217,065	(198,136)	18,929

17. CONTINGENT LIABILITIES

The bank holds a charge over the balance held on the US\$ deposit account. At the year end, the balance on this account was \$37,855 (2000: \$307,735)

The bank holds a fixed and floating charge over all of the assets of the company.

The company has given in the normal course of business, performance bonds totalling £118,434 at 31 December 2001 (2000: £49,863) and a guarantee of £100,000 at 31 December 2001 (2000: £100,000) to HM Customs & Excise.

Barton Instrument Systems Limited

NOTES TO THE ACCOUNTS

at 31 December 2001

18. OTHER FINANCIAL COMMITMENTS

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	£	£	£	£
Operating leases which expire:				
In two to five years	-	-	37,301	25,083
In over five years	65,000	63,000	-	-
	<u>65,000</u>	<u>63,000</u>	<u>37,301</u>	<u>25,083</u>

19. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Barton Instruments Systems, LLC, a company registered in the United States of America.

Barton Instrument Systems, LLC is jointly owned by American Commercial Holdings, LLC and The Warren Corporation, both companies registered in the United States of America. The directors consider that these two companies are the ultimate parent undertakings.

20. RELATED PARTY TRANSACTIONS

During the year the company has entered into the following transactions with Barton Instrument Systems, LLC:

	£
Sale of equipment	107,403
Purchase of goods for resale	2,623,793
Administration charges incurred	140,000

The balance due to the parent undertaking at 31 December 2001 is disclosed within note 11 to these accounts.

In addition, sales of £16,350 and equipment purchases of £186,477 were transacted with Barton Instruments Canada, a fellow subsidiary.