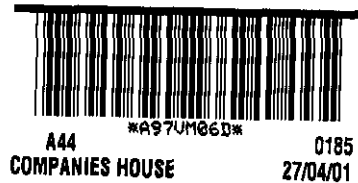


Rayleigh Instruments Limited

Report and Financial Statements

Year Ended

30 June 2000



BDO Stoy Hayward
Chartered Accountants

RAYLEIGH INSTRUMENTS LIMITED

Annual report and financial statements for the year ended 30 June 2000

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Directors

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Directors

R Lawrence
J L Hodgetts
D G Brookes

Secretary and registered office

Mrs E C Biddle, Raytel House, Brook Road, Rayleigh, Essex, SS6 7XH.

Company number

808961

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW.

RAYLEIGH INSTRUMENTS LIMITED

Report of the directors for the year ended 30 June 2000

The directors present their report together with the audited financial statements for the year ended 30 June 2000.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors do not recommend a final ordinary dividend. Preference dividends of £700 have been paid in respect of the year.

Principal activities

The principal activity of the company is the design, development and supply of control instruments primarily in the United Kingdom.

Turnover for the year amounted to £2,453,287 with a resulting profit before tax of £13,433.

Directors

The directors of the company during the year were as follows:

R Lawrence
J L Hodgetts
D G Brookes

Messrs Brookes and Lawrence are also directors of the ultimate parent company, Raytel Group Limited, and their interests in the share capital of that company are shown in its financial statements.

Directors' responsibilities

Company law requires the 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, 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 financial statements on the 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 financial statements 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.

RAYLEIGH INSTRUMENTS LIMITED

Report of the directors for the year ended 30 June 2000 (*Continued*)

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

The directors' report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board

Mrs E C Biddle
Secretary



Date 23 April 2001

RAYLEIGH INSTRUMENTS LIMITED

Report of the auditors

To the shareholders of Rayleigh Instruments Limited

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

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the 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 30 June 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors
Chelmsford*

25 April 2001

RAYLEIGH INSTRUMENTS LIMITED**Profit and loss account for the year ended 30 June 2000**

	Note	2000 £	1999 £
Turnover	2	2,453,287	3,317,278
Cost of sales		1,574,383	2,162,382
		<hr/>	<hr/>
Gross profit		878,904	1,154,896
Distribution costs		270,390	376,056
Administrative expenses		570,835	643,702
		<hr/>	<hr/>
Operating profit	5	37,679	135,138
Interest receivable	6	-	1,459
Interest payable and similar charges	7	24,246	43,615
		<hr/>	<hr/>
Profit on ordinary activities before taxation		13,433	92,982
Taxation on profit from ordinary activities	8	11,446	(65,880)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		24,879	27,102
Dividends	9	700	700
		<hr/>	<hr/>
Retained profit for the year		24,179	26,402
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The only movement in shareholders' funds is the retained loss for the year.

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

RAYLEIGH INSTRUMENTS LIMITED

Balance sheet at 30 June 2000

	Note	2000 £	1999 £
Fixed assets			
Intangible assets	10	46,968	13,609
Tangible assets	11	12,588	27,342
		<u>59,556</u>	<u>40,951</u>
Current assets			
Stocks	12	334,114	449,043
Debtors - amounts falling due within one year	13	673,176	620,162
- amounts falling due after one year	13	271,636	118,794
Cash at bank and in hand		4,235	83,571
		<u>1,283,161</u>	<u>1,271,570</u>
Creditors: amounts falling due within one year	14	800,387	794,370
Net current assets		<u>482,774</u>	<u>477,200</u>
Net assets		<u>542,330</u>	<u>518,151</u>
Capital and reserves			
Called up share capital	15	100,000	100,000
Profit and loss account	16	442,330	418,151
Shareholders' funds		<u>542,330</u>	<u>518,151</u>

Included within shareholders' funds is an amount of £10,000 (1999 - £10,000) in respect of non-equity interests.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 23 April 2001.


R. Lawrence
Director

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

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Development area	-	20% straight line
Office furniture and equipment	-	20% straight line
Motor vehicles	-	25% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

Foreign currencies

Foreign currency transactions are translated at rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Research and development

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, unless individual projects satisfy all of the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs are expected to be exceeded by future sales; and
- adequate resources exist for the project to be completed.

In such circumstances the costs are deferred to the value of 10% of future sales over a five year period and are amortised on a systematic basis over this period.

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

1 Accounting policies (*continued*)

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Pension costs

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The schemes are administered by the parent company and the schemes' assets are held separately from those of the group in independently administered funds (see note 17).

2 Turnover

Turnover is wholly attributable to the principal activity of the company and arises primarily within the United Kingdom.

3 Directors

	2000 £	1999 £
Directors emoluments and pension contributions were:		
Remuneration for management services	52,099	52,925
Pensions to former directors	1,000	1,000
Company contributions to defined contribution pension scheme	2,472	2,507
	<u>55,571</u>	<u>56,432</u>
Number of directors with benefits accruing under defined contribution scheme	1	1

4 Employees

	2000 £	1999 £
Staff costs consist of:		
Wages and salaries	324,606	381,045
Social security costs	30,247	38,721
Other pension costs	10,230	11,289
	<u>365,083</u>	<u>431,055</u>

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

4 Employees (*continued*)

The average number of employees during the year was:

	2000 Number	1999 Number
Technical	15	15
Other	3	5
	<u>18</u>	<u>20</u>

5 Operating profit

This has been arrived at after charging/(crediting):

	2000 £	1999 £
Depreciation	14,606	19,485
Hire of machinery - operating leases	38,624	40,731
Research and development costs	11,245	18,189
Auditors' remuneration	3,885	3,700
Profit on disposal of fixed assets	(1,853)	(6,404)
	<u>14,606</u>	<u>19,485</u>

6 Interest receivable

	2000 £	1999 £
Bank interest	-	1,459
	<u>-</u>	<u>1,459</u>

7 Interest payable and similar charges

	2000 £	1999 £
Interest on bank overdraft	650	517
Hire purchase interest	-	265
Interest on invoice factoring	23,596	42,833
	<u>24,246</u>	<u>43,615</u>

8 Taxation on profit from ordinary activities

	2000 £	1999 £
Overprovision in previous years	-	709
Receivable/(payable) for tax losses	11,446	(66,589)
	<u>11,446</u>	<u>(65,880)</u>

The charge to the company's profit and loss account in respect of payments for tax losses arises because the company pays for losses surrendered by group companies under group relief provisions at a rate of £1 per £1 of losses surrendered.

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

9 Dividends

	2000 £	1999 £
Preference (non-equity) – paid	700	700

10 Intangible assets

	Development Costs £
<i>Cost</i>	
At 1 July 1999	13,609
Additions	33,359
	<hr/>
At 30 June 2000	46,968
	<hr/>
<i>Amortisation</i>	
At 1 July 1999 and 30 June 2000	-
	<hr/>
<i>Net book value</i>	
At 30 June 2000	46,968
	<hr/>
At 30 June 1999	13,609
	<hr/>

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

11 Tangible assets

	Development area £	Office furniture and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 July 1999	83,693	61,825	17,371	162,889
Additions	1,199	-	-	1,199
Disposals	-	-	(16,160)	(16,160)
At 30 June 2000	84,892	61,825	1,211	147,928
<i>Depreciation</i>				
At 1 July 1999	61,232	58,291	16,024	135,547
Provided for year	13,406	1,200	-	14,606
Disposals	-	-	(14,813)	(14,813)
At 30 June 2000	74,638	59,491	1,211	135,340
<i>Net book value</i>				
At 30 June 2000	10,254	2,334	-	12,588
At 30 June 1999	22,461	3,534	1,347	27,342

12 Stocks

	2000 £	1999 £
Finished goods	334,114	449,043

There were no significant differences between the replacement cost of stocks and the value shown on the balance sheet.

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (Continued)

13 Debtors

	2000 £	1999 £
Amounts falling due within one year:		
Trade debtors	653,917	599,834
Other debtors	19,259	20,328
	<u>673,176</u>	<u>620,162</u>
Amounts falling due after more than one year:		
Due from parent company	271,636	118,794
	<u>271,636</u>	<u>118,794</u>

14 Creditors: amounts falling due within one year

	2000 £	1999 £
Bank overdraft (secured)	40,353	-
Trade creditors	255,956	304,743
Invoice discounting creditor (secured)	403,742	409,017
Corporation tax	-	-
Other taxes and social security costs	89,136	73,610
Other creditors and accruals	11,200	7,000
	<u>800,387</u>	<u>794,370</u>

Invoice discounting creditors are secured on the trade debtor balances. The bank overdraft is secured by a fixed and floating charge over the assets of the company.

15 Share capital

	Authorised		Allotted, called up and fully paid	
	2000 £	1999 £	2000 £	1999 £
7% preference shares of £1 each	10,000	10,000	10,000	10,000
Ordinary shares of £1 each	90,000	90,000	90,000	90,000
	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

The preference shares carry a cumulative right to dividends. The preference shareholders have no rights in the event of a winding up beyond arrears of dividend and repayment of capital. They have no right to vote on the winding up of the company, or on a proposed modification of the rights attaching to their shares.

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

16 Reserves

	£
Profit and loss account:	
At 1 July 1999	418,151
Loss for the year	24,179
	<hr/>
At 30 June 2000	442,330
	<hr/> <hr/>

17 Pensions

The parent company operates two defined contribution pension schemes, one for the majority of the company's employees, the other for the executive directors of the group. The assets in both schemes are held separately from those of the company in independently administered funds.

The pension costs charge represents contributions payable by the company of £10,230 (1999 - £11,289).

18 Contingent liabilities

The company has cross guaranteed the overdrafts of the companies in the group. At the balance sheet date the group overdraft totalled £191,252 (1999 - £86,559). This figure includes the company's own overdraft of £40,353 (1999 - £Nil).

The company has an indemnity outstanding to Barclays Bank in respect of its Letter of Guarantee issued to Customs & Excise for £15,000 (1999 - £15,000) on behalf of the company.

The company is subject to a claim from a customer. The directors dispute the claim made and are therefore not able to reliably estimate the outcome of this claim, which in any event they expect would be met by insurance proceeds to the extent the claim was accepted.

19 Commitments under operating leases

As at 30 June 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000 £	Other 1999 £
Operating leases which expire:		
Within one year	3,800	2,799
In two to five years	28,199	26,201
	<hr/>	<hr/>
	31,999	29,000
	<hr/> <hr/>	<hr/> <hr/>

RAYLEIGH INSTRUMENTS LIMITED

Notes forming part of the financial statements for the year ended 30 June 2000 (*Continued*)

20 Related party transactions

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions", not to disclose any transactions with entities that are included in the consolidated financial statements of Raytel Group Limited.

21 Cash flow statement

The company has used the exemption under Financial Reporting Standard 1, "Cash Flow Statements", not to prepare a cash flow statement as it is consolidated in the financial statements of its ultimate parent company.

22 Ultimate parent company

At 30 June 2000 the company's ultimate parent company was Raytel Group Limited which is the parent of both the smallest and largest groups of which the company is a member.

Copies of the consolidated financial statements of Raytel Group Limited are available from Companies House.

23 Control

The ultimate controlling party is R Lawrence.