

RAYLEIGH INSTRUMENTS LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 1998



REGISTERED NO: 808961

## RAYLEIGH INSTRUMENTS LIMITED

<b>DIRECTORS</b>	R Lawrence(Chairman) J L Hodgetts D G Brookes
<b>SECRETARY</b>	Mrs E C Biddle
<b>REGISTERED OFFICE</b>	Raytel House Brook Road Rayleigh Essex
<b>BANKERS</b>	Barclays Bank plc Basildon Business Centre P O Box No 50 Basildon Essex
<b>AUDITORS</b>	Moores Rowland Chartered Accountants 115 New London Road Chelmsford Essex
<b>SOLICITORS</b>	Simpson Robertson & Edgington "Barringtons" Hockley Road Rayleigh Essex

## CONTENTS

	<u>Page</u>
Directors' Report	1
Auditors' Report	2
Statement of Directors' Responsibilities	3
Profit and Loss Account	4
Balance Sheet	5
Notes to the Accounts	6 - 11
Trading Account	12

## RAYLEIGH INSTRUMENTS LIMITED

Directors: R Lawrence (Chairman)  
J L Hodgetts  
D G Brookes

### **DIRECTORS' REPORT**

The directors submit their report and accounts for the year ended 30 June 1998.

### **PRINCIPAL ACTIVITY**

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

### **RESULTS AND DIVIDENDS**

A preference dividend of £700 (1997 - £700) has been paid during the year.

No final ordinary dividend is proposed.

### **REVIEW OF THE BUSINESS**

Turnover for the year amounted to £4,408,251 with a pre-tax profit of £166,235.

### **YEAR 2000 COMPLIANCE**

A company wide programme has been undertaken to address the impact of the "Year 2000" issue on the Group's business. The review has indicated no significant non compliance issues as regards the Group's products.

The Group has invested in new financial and operational software and implementation is currently in progress. The installation will be complete during the first half of 1999 and should ensure the Group's internal systems are full "2000" compliant.

### **DIRECTORS AND THEIR INTERESTS**

The names of the present directors are as stated at the head of this report.

The company is a wholly owned subsidiary of Raytel Group Limited. The directors had no interest in the shares of the company, but they had the following beneficial interests in the shares of Raytel Group Limited at the beginning and the end of the year.

	<b>Ordinary shares</b>	<b>Percentage holding</b>
R Lawrence	60,600	60.6%

### **AUDITORS**

A resolution to reappoint Moores Rowland as auditors will be put to the members at the Annual General Meeting.

Registered Office:

Raytel House  
Brook Road  
Rayleigh  
Essex

By Order of the Board



Mrs E C Biddle  
Secretary

Dec 18th.

1998

**RAYLEIGH INSTRUMENTS LIMITED****AUDITORS' REPORT TO THE MEMBERS OF RAYLEIGH INSTRUMENTS LIMITED**

We have audited the accounts on pages 4 to 11.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 3 the company's directors are responsible for the preparation of 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 the company's affairs as at 30 June 1998 and of the company's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Moore Rowland  
Registered Auditors  
Chartered Accountants  
Chelmsford

*Moore Rowland*

22nd December 1998

RAYLEIGH INSTRUMENTS LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare 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 year.

In preparing these accounts we are required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business.

We are responsible for:

- keeping proper accounting records
- safeguarding the company's assets
- taking reasonable steps for the prevention and detection of fraud.

By Order of the Board



Mrs E C Biddle  
Secretary

Dec 18th

1998

**RAYLEIGH INSTRUMENTS LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 JUNE 1998**

	Note	1998 £	1997 £
<b>TURNOVER</b>	1	4,408,251	4,854,575
Cost of sales		2,921,856	3,449,425
<b>GROSS PROFIT</b>		1,486,395	1,405,150
Distribution costs		443,417	433,073
Administration expenses		827,497	764,897
<b>OPERATING PROFIT</b>	2	215,481	207,180
Interest receivable	5	2,737	1,590
Interest payable	6	51,983	53,548
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		166,235	155,222
Taxation	7	149,167	74,058
<b>PROFIT FOR THE FINANCIAL YEAR</b>		17,068	81,164
Dividends - Non-equity	8	700	700
<b>RETAINED PROFIT FOR THE YEAR</b>	16	16,368	80,464

A separate statement of recognised gains and losses has not been prepared as there are no recognised gains and losses other than the loss for the year.

All disclosures relate only to continuing operations.

**RAYLEIGH INSTRUMENTS LIMITED****BALANCE SHEET****AT 30 JUNE 1998**

	Note	1998		1997	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	9		46,575		70,836
<b>CURRENT ASSETS</b>					
Stocks	10	557,302		502,551	
Debtors	11	922,706		1,072,001	
Cash at bank and in hand	18	42,321		35,690	
		<u>1,522,329</u>		<u>1,610,242</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	<u>1,077,155</u>		<u>1,204,068</u>	
<b>NET CURRENT ASSETS</b>			<u>445,174</u>		<u>406,174</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			491,749		477,010
<b>CREDITORS: amounts falling due after more than one year</b>	13		-		1,629
			<u>491,749</u>		<u>475,381</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	15		100,000		100,000
Profit and loss account	16		391,749		375,381
Total shareholders' funds	17		<u>491,749</u>		<u>475,381</u>
<b>Attributable to:</b>					
Equity shareholders			481,749		465,381
Non-equity shareholders			10,000		10,000
			<u>491,749</u>		<u>475,381</u>

The financial statements on pages 4 to 11 were approved by the board of directors on

Dec 18th

1998

R Lawrence

) Directors

D G Brookes

Moore  
Rowland

**RAYLEIGH INSTRUMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**YEAR ENDED 30 JUNE 1998**

**1. ACCOUNTING POLICIES**

**a. Basis of accounting**

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

**b. Cashflow statement**

The company has taken advantage of the exemption from preparing a cashflow statement conferred by Financial Reporting Standard No 1 on the grounds that it is a wholly owned subsidiary of a parent company which publishes a consolidated cashflow statement.

**c. Depreciation**

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value over the expected lives which are as follows:

Development area	20%
Office furniture and equipment	20%
Motor vehicles	25%

**d. Stocks**

Stocks are valued at the lower of cost and net realisable value.

**e. Deferred taxation**

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

**f. Foreign currencies**

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Trading exchange differences are included in operating profit.

**g. Leases and hire purchase contracts**

Tangible fixed assets acquired under finance leases and hire purchase contracts are capitalised at the estimated fair value at the date of inception of each lease or contract. The total finance charges are allocated over the period of the lease on a straight line basis.

Rentals paid under operating leases are charged to income as incurred.



**RAYLEIGH INSTRUMENTS LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****1. ACCOUNTING POLICIES (CONTINUED)****h. Research and development**

Expenditure on research and development incurred in the year other than on fixed assets is charged against profit.

**i. Defined contribution pension scheme**

Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The scheme is administered by the Group and the scheme assets are held separately from those of the Group in an independently administered fund (note 19).

**j. Turnover**

Turnover represents amounts receivable for the supply of goods and services net of value added tax and trade discounts where appropriate.

<b>2. OPERATING PROFIT</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
<b>Operating profit is stated after charging</b>		
Auditors remuneration	3,600	3,500
Depreciation - owned assets	20,221	19,109
- assets held under hire purchase contracts	4,040	4,040
Directors emoluments (note 3)	64,096	51,633
Leasing charge - plant and equipment	41,223	35,384
Research and development costs	20,474	30,890
	<u>67,477</u>	<u>53,778</u>
<b>3. DIRECTORS EMOLUMENTS</b>		
For services as executives	64,096	50,633
Pensions to former directors	1,000	1,000
Company contributions to money purchase schemes	2,381	2,145
	<u>67,477</u>	<u>53,778</u>
Number of directors with benefits accruing under money purchase schemes	<u>1</u>	<u>1</u>
<b>4. STAFF COSTS</b>		
Wages and salaries	466,813	398,699
Social security costs	42,295	36,666
Pension costs	13,498	12,203
	<u>522,606</u>	<u>447,568</u>
The average number of employees during the year was:		
	<b>Number</b>	<b>Number</b>
Technical	21	18
Other	5	5
	<u>26</u>	<u>23</u>

**RAYLEIGH INSTRUMENTS LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)**

5. INTEREST RECEIVABLE	1998 £	1997 £		
Bank interest receivable	2,737	1,590		
6. INTEREST PAYABLE				
Interest payable is made up as follows:				
Interest on bank overdraft	290	789		
Hire purchase interest	719	838		
Interest on invoice factoring	50,974	51,921		
	51,983	53,548		
7. TAXATION				
The taxation charge based on the profit for the year is as follows:				
Corporation tax for the year at 21% (1997 - 27%)	11,740	27,417		
Payment for tax losses	140,000	46,641		
Overprovision in previous year	(2,573)	-		
	149,167	74,058		
8. DIVIDENDS				
7% Preference dividend paid	700	700		
9. TANGIBLE FIXED ASSETS				
	Development area £	Office furniture & equipment £	Motor vehicles £	Total £
<b>COST</b>				
30 June 1997 and 30 June 1998	83,693	60,626	36,556	180,875
<b>AGGREGATE DEPRECIATION</b>				
30 June 1997	32,302	56,351	21,386	110,039
Charge for year	14,465	960	8,836	24,261
30 June 1998	46,767	57,311	30,222	134,300
<b>NET BOOK VALUE</b>				
30 June 1998	36,926	3,315	6,334	46,575
30 June 1997	51,391	4,275	15,170	70,836

The net book value of motor vehicles includes £5,387 (1997 £9,427) for assets held under hire purchase contracts.

**RAYLEIGH INSTRUMENTS LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****10. STOCK**

Stock consists mainly of finished goods. There were no significant differences between replacement cost of stock and the value disclosed.

**11. DEBTORS**

	1998 £	1997 £
<b>Amounts falling due within one year:</b>		
Trade debtors	815,639	1,016,875
Sundry debtors	20,000	-
	<hr/> 835,639	<hr/> 1,016,875
 <b>Amounts falling due after more than one year:</b>		
Due from parent company	87,067	55,126
	<hr/> 922,706	<hr/> 1,072,001

**12. CREDITORS - Amounts falling due within one year**

	£	£
Bank overdraft	5,145	42,309
Trade creditors	380,653	443,205
Preference dividend	700	-
Corporation tax	11,740	27,254
Other taxes and social security costs	162,977	158,355
Hire purchase creditors	1,629	4,889
Kellock - invoice factoring	448,740	496,031
Other creditors and accruals	65,571	32,025
	<hr/> 1,077,155	<hr/> 1,204,068

The bank overdraft is secured by a fixed and floating charge over the assets of the company. The book debts are subject to a first charge in favour of Kellock Limited.

**13. CREDITORS - Amounts falling due after more than one year**

Finance leases and hire purchase contracts within two to five years	£ -	1,629
	<hr/>	<hr/>

**RAYLEIGH INSTRUMENTS LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****14. LEASING COMMITMENTS**

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	1998 £	1997 £
Operating leases which expire:		
Within one year	10,502	1,994
Within two to five years	24,748	28,256
	<u>35,250</u>	<u>30,250</u>

**15. SHARE CAPITAL**

Authorised, allotted, called up and fully paid		
10,000 7% preference shares of £1 each	10,000	10,000
90,000 ordinary shares of £1 each	90,000	90,000
	<u>100,000</u>	<u>100,000</u>

**Preference shares**

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 except on the winding up of the company, or on a proposed modification of the rights attaching to their shares.

**16. PROFIT AND LOSS ACCOUNT**

	£
As at 30 June 1997	375,381
Profit for year	16,368
	<u>391,749</u>
As at 30 June 1998	

**17. RECONCILIATION OF SHAREHOLDERS' FUNDS**

	£	£
Profit for the financial year	17,068	295,502
Dividends	(700)	(700)
	<u>16,368</u>	<u>80,464</u>
Net addition to shareholders' funds	475,381	394,917
Opening shareholders' funds		
	<u>491,749</u>	<u>475,381</u>
Closing shareholders' funds		

**RAYLEIGH INSTRUMENTS LIMITED****NOTES TO THE ACCOUNTS (CONTINUED)****18. CONTINGENT LIABILITIES**

The company has cross-guaranteed the overdrafts of other companies in the group. At the balance sheet date the group overdraft totalled £328,441 (1997 £176,560). This figure includes the company's own overdraft of £29,432 (1997 £42,309).

The company has two indemnities outstanding to Barclays Bank in respect of its Letters of Guarantee, issued to Customs & Excise for £15,000 and to Vapor UK for £68,770 on behalf of the company.

Included in cash at bank and in hand is a £34,693 deposit which supports a performance bond guarantee of £62,000 in respect of a possible claim in the event of non-performance of a major contract.

**19. DEFINED CONTRIBUTION PENSION SCHEME**

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 cost charge represents contributions payable by the company of £13,498 (1997 £12,203).

**20. RELATED PARTIES**

The ultimate parent company of Rayleigh Instruments Limited is Raytel Group Limited, which is controlled by Mr R Lawrence, the majority shareholder.