

Whessoe PLC

**Directors' report and consolidated
financial statements**

31 December 1997

Registered number 166242



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the 15 months ended 31 December 1997. The change of financial year end from 30 September brings the company in line with the financial year end of its new parent undertaking referred to below.

Principal activities

The principal activity of the business is that of specialist instrumentation and control.

Business review

During the period under review acquisitions and disposal have been the dominant factor influencing financial performance.

Towards the end of 1996 the Board engaged in discussions with Siebe Plc which led to that company making a bid for the Group in February 1997. A counter bid was launched by a consortium consisting of Endress + Hauser (a privately owned Swiss company) and Navia (a Norwegian public company). The counter bid was subsequently recommended by the Board and accepted by shareholders on March 27 1997.

Navia (formerly Seatex Garex) had sought to acquire Autronica more than a year previously and offered approximately £28m. The offer was deemed by the Board to be inadequate and was declined. The consortium's bid effectively valued Autronica at £38m.

The accounts for the period reflect Endress + Hauser's 100% ownership of Whesoe PLC and the sale of 91% of the Group's shareholding in Autronica to Navia. The remaining 9% continues to be held by Whesoe.

The Whesoe Group now consists of the following operating units; Whesoe Varec, specialising in tank inventory management and control systems, vapour control and bio gas; Coggins Systems Inc, which supplies SCADA software and related products associated with the management of bulk liquids; AG Marvac, a specialist in vapour control products; and Elcon Instruments, which supplies intrinsic safety solutions. The group has eight manufacturing locations based in the UK, France, Italy and the United States.

The financial results for the period were unavoidably affected by substantial one-off costs associated with the bids made by Siebe and the Consortium. In addition operating profit was adversely affected by Autronica which suffered a downturn in business and above normal product development expenditure. Autronica's results were consolidated for the first six months of the year prior to the sale to Navia.

Whesoe Varec also experienced difficulties due to the continuing low price of oil and, particularly in the final months of the year, turmoil in the Far East. Both factors impacted the major international customers rendering market conditions more difficult. Marvac, having a different geographic and industry focus to Whesoe Varec, was not affected to the same degree and performed very well.

Coggins Systems had an exceptional period due to the success of FuelsManager and related products. Towards the end of 1996 the United States Department of Defense (DOD) took the decision to standardise on FuelsManager as their system of choice for the management of bulk fuels. Coggins Systems has benefited from several large orders and substantial activity with both the DOD and commercial organisations. By the end of 1997 more than 1,500 FuelsManager Systems had been successfully installed throughout the world.

Elcon enjoyed a successful year in which it continued to grow in terms of overall volume and market share. A new range of products, HID, was introduced to replace the previously very successful Series 1000. HID has been well received by the market and the initial signs are that it should be very successful. The company continues to develop new products to strengthen its market position.

Directors' report *(continued)*

Business review *(continued)*

The acquisition saw changes at board level with the resignation of our non-executive directors. I would like to thank George Duncan, Malcolm Baggott, Sir Michael Franklin and Peter Simonis for their support and counsel throughout their period of service.

The success of any company is fully dependent upon the dedication, commitment and contribution of all its associates and I thank all of them for their achievements and support during the period.

Ownership by Endress + Hauser begins a new and promising era for Whessoe. Our new shareholder is an impressive company with substantial strength and depth in terms of technical capability, geographic presence and management committed to long term growth and the pursuit of excellence. The Whessoe Group will retain its own identity within Endress + Hauser but is fully able to draw on the significant strengths available through this new relationship which offers many exciting opportunities for future development.

Research and development

The Group is devoting resources to research and development where it is believed this will contribute to the profitable growth of the Group. During the period the Whessoe Group expended £4.9m *(year ended 30 September 1996: £4.5m)* on research and development.

Proposed dividend

The directors do not recommend the payment of a dividend for the period.

Policy and practice on payment of creditors

Each group company sets its terms of payment in accordance with its conditions of order. All suppliers fulfilling those conditions of order will be paid in accordance with the terms of payment agreed. Other suppliers will be paid in accordance with contracted terms as agreed from time to time in the absence of a formal order.

Directors and directors' interests

The directors who held office during the period were as follows:

George Duncan	(resigned 3 September 1997)
Chris Fleetwood	
Malcolm Baggott	(resigned 3 September 1997)
Sir Michael Franklin	(resigned 3 September 1997)
Gene Geraci	
Barbara Richmond	(resigned 31 January 1997)
Peter Simonis	(resigned 22 January 1997)
Chris Lawrence	(appointed 1 February 1997) (resigned 31 January 1998)

Directors' report (continued)

Directors and directors' interests (continued)

The directors who held office at the end of the financial period had the following interests in the ordinary shares of Whessoe PLC according to the register of directors' interests:

	Interest at end of period	Interest at start of period or date of appointment
CJ Fleetwood	-	24,835
EE Geraci	-	9,405
C Lawrence	-	-

According to the register of directors' interests, no rights to subscribe for shares in the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial period except as indicated below:

	At start of period	Number of options during the period			At end of period
		Granted	Cancelled		
CJ Fleetwood	121,106	-	121,106		-
EE Geraci	100,000	-	100,000		-

Mr Fleetwood, Mr Geraci and Mr Lawrence were also awarded shares through the restricted share scheme which vested to them upon the sale of the company to Endress + Hauser. The number of shares held through this scheme at the date of acquisition was:

CJ Fleetwood	80,121
EE Geraci	70,249
C Lawrence	36,665

Employees

It is the policy of the company to provide employment for disabled people whenever the demands of the company's operations and the abilities of the individuals allow. Applications for employment for disabled people are considered most carefully and, where existing employees become disabled, every effort is made to find or create suitable positions for them. For the purposes of training, career development and promotion, disabled employees are treated in the same way as other employees.

It is the policy of the company to introduce, maintain and develop arrangements aimed at providing employees with information on matters of concern to them and consulting, where appropriate, employees or their representatives so that their views can be taken into account in making decisions likely to affect their interests.

Directors' report *(continued)*

Charitable contributions

Donations to UK charities amounted to £1,085.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



C.J. Fleetwood
Chief Executive

Heighington Lane
Newton Aycliffe
Co. Durham
DL5 6XZ

30 April 1998

Statement of directors' responsibilities

The directors are required by law to prepare accounts which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the period and of the profit for that period. The accounts are required to be prepared on a going concern basis unless it is inappropriate to do so. The directors are also responsible for ensuring that proper and adequate accounting records have been kept and that appropriate procedures have been followed for safeguarding the assets of the Group and the prevention and detection of fraud and other irregularities. It is the view of the directors that appropriate accounting policies which are in accordance with applicable Accounting Standards have been applied consistently in the preparation of the accounts and where necessary reasonable and prudent judgements have been made.



KPMG Audit Plc

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

Report of the auditors to the members of Whessoe PLC

We have audited the financial statements on pages 7 to 26.

Respective responsibilities of directors and auditors

As described on page 5 the Company's directors are responsible for the preparation of 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 Group'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 affairs of the Company and the Group as at 31 December 1997 and of the profit of the Group for the 15 month period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

30 April 1998

Consolidated profit and loss account
for the 15 month period ended 31 December 1997

	<i>Note</i>	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
Turnover	2		
Continuing operations		57,163	35,683
Discontinued operations		24,080	53,046
		<hr/>	<hr/>
		81,243	88,729
Cost of sales	3	(54,928)	(55,781)
		<hr/>	<hr/>
Gross profit		26,315	32,948
Net operating expenses (includes exceptional costs of £480,000 (1996: £Nil))	3	(26,665)	(30,696)
		<hr/>	<hr/>
Operating (loss)/profit			
Continuing operations		544	(610)
Discontinued operations		(894)	(2,862)
		<hr/>	<hr/>
		(350)	2,252
Profit/(loss) on sale of discontinued operations	4, 24	7,361	(800)
Profit/(loss) on sale of fixed assets - continuing operations		(67)	(151)
Net interest	8	(1,203)	(741)
		<hr/>	<hr/>
Profit on ordinary activities before taxation	2-5	5,741	560
Taxation	9	(291)	(488)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		5,450	72
Dividends	10	-	(737)
		<hr/>	<hr/>
Retained profit for the period/year		5,450	(665)
		<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheet
at 31 December 1997

	Note	31 December 1997		30 September 1996	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	12		3,591		14,135
Investments	13		1,788		256
			<hr/>		<hr/>
			5,379		14,391
Current assets					
Stocks	14	7,634		13,029	
Debtors	15	45,854		29,267	
Cash at bank and in hand		2,448		6,480	
		<hr/>		<hr/>	
		55,936		48,776	
Creditors: amounts falling due within one year (including convertible debt)	16	(11,591)		(27,041)	
		<hr/>		<hr/>	
Net current assets			44,345		21,735
			<hr/>		<hr/>
Total assets less current liabilities			49,724		36,126
Creditors: amounts falling due after more than one year	17	(7,468)		(12,489)	
Provisions for liabilities and charges	18	(1,975)		(189)	
		<hr/>		<hr/>	
Net assets			40,281		23,448
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	19	7,573		7,407	
Share premium account	20	20,879		20,621	
Revaluation reserve	20	215		215	
Other reserves	20	(3,960)		(14,919)	
Profit and loss account	20	15,574		10,124	
		<hr/>		<hr/>	
Equity shareholders' funds			40,281		23,448
			<hr/>		<hr/>


These financial statements were approved by the board of directors on 29 April 1998 and were signed on its behalf by:


CJ Fleetwood
Chief Executive

Balance sheet
at 31 December 1997

	<i>Note</i>	31 December 1997		30 September 1996	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	<i>12</i>		1,230		1,474
Investments	<i>13</i>		30,854		31,254
			<hr/>		<hr/>
			32,084		32,728
Current assets					
Debtors	<i>15</i>	26,549		26,673	
Cash at bank and in hand		-		76	
		<hr/>		<hr/>	
		26,549		26,749	
Creditors: amounts falling due within one year (including convertible debt)	<i>16</i>	(2,937)		(3,749)	
		<hr/>		<hr/>	
Net current assets			23,612		23,000
			<hr/>		<hr/>
Total assets less current liabilities			55,696		55,728
Creditors: amounts falling due after more than one year	<i>17</i>		-		(27)
			<hr/>		<hr/>
Net assets			55,696		55,701
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	<i>19</i>		7,573		7,407
Share premium account	<i>20</i>		20,879		20,621
Revaluation reserve	<i>20</i>		-		-
Other reserves	<i>20</i>		(898)		(315)
Profit and loss account	<i>20</i>		28,142		27,988
			<hr/>		<hr/>
Equity shareholders' funds	<i>20</i>		55,696		55,701
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 29 April 1998 and were signed on its behalf by:


CJ Fleetwood
Chief Executive

Statement of total recognised gains and losses
for the 15 month period ended 31 December 1997

	31 December 1997 £000	30 September 1996 £000
Profit for the financial period/year	5,450	72
Unrealised deficit on revaluation of properties/investments	(42)	(42)
Currency translation differences	(1,826)	(140)
	<hr/>	<hr/>
Total recognised gains and losses for the period/year	3,582	(110)
	<hr/> <hr/>	<hr/> <hr/>

Note of historical cost profits and losses
for the 15 month period ended 31 December 1997

There is no material difference between the reported profits and losses and the historical profits and losses for the fifteen months ended 31 December 1997 and the year ended 30 September 1996.

Reconciliation of movements in shareholders' funds
for the 15 month period ended 31 December 1997

	31 December 1997 £000	30 September 1996 £000
Profit for the financial period/year	5,450	72
Dividends	-	(737)
	<hr/>	<hr/>
Other recognised gains and losses relating to the period/year (net)	5,450	(665)
New share capital subscribed (net of issue costs)	(1,868)	(182)
Goodwill credited/(written off)	424	54
	12,827	(2,650)
	<hr/>	<hr/>
Net addition to/(reduction in) shareholders' funds	16,833	(3,443)
Opening shareholders' funds: equity	23,448	26,891
	<hr/>	<hr/>
Closing shareholders' funds: equity	40,281	23,448
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain freehold properties.

Whessoe Plc has taken advantage of provisions within FRS 1 (Revised) and therefore has not included a cash flow statement for the period on the basis that a cash flow is produced in their ultimate parent company accounts, copies of which can be obtained from the parent company.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 December 1997. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the period are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. The group's remaining minority interest in the share capital of Autronica is stated in the consolidated financial statements at cost less amounts written off.

Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. Any excess of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination is calculated after charging the amount of any related goodwill previously taken to reserves.

In the company's financial statements, investments in subsidiary and associated undertakings are stated at cost less amounts written off.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold and long leasehold buildings	-	2% per annum
Short leasehold buildings	-	life of lease
Plant and machinery	-	10% per annum
Computer systems	-	20% - 33% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

The assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

Retirement benefits are funded by contributions made by the Group and its employees which are held in trustee administered funds. For defined benefit schemes contribution taxes are calculated periodically by actuaries and the cost charged against profits over the employees' estimated working lives. For defined contribution schemes, pension contributions are charged to the profit and loss account as they fall due.

Research and development expenditure

Expenditure on research and development is written off against profits as incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Long term contracts

Where turnover on long term contract work in progress differs from invoiced progress payments, the balance is included in debtors or creditors as appropriate.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers. In respect of long term contracts it comprises the value of work performed.

Notes (continued)

2 Segmental information

Under the provisions of SSAP 25 the group have elected not to present segmental information on the basis that it may be detrimental to the business.

3 Analysis of expenses

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
Cost of sales		
Continued operations	38,698	22,343
Discontinued operations	16,230	33,438
	<hr/> 54,928 <hr/>	<hr/> 55,781 <hr/>
Net operating expenses		
Continued operations	17,921	13,950
Discontinued operations	8,744	16,746
	<hr/> 26,665 <hr/>	<hr/> 30,696 <hr/>

4 Profit on sale of discontinued operations

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
Profit on sale of Autronica (note 24)	7,837	-
Sale of Whessoe Computing Systems	-	(800)
Additional costs following sale of piping division in 1994	(379)	-
Other costs	(97)	-
	<hr/> 7,361 <hr/>	<hr/> (800) <hr/>

Notes (continued)

5 Profit on ordinary activities before taxation

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Group		
- audit	58	85
- fees paid to the auditor and its associates in respect of other services	31	46
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,992	1,916
Leased	3	7
Amortisation of awards under the Whessoe Restricted Share Scheme	291	27
Operating lease rentals - plant and machinery	156	223
Hire of plant and machinery	42	10
Research and development expenditure	4,927	4,501
<i>after crediting</i>		
Rental income	213	271

6 Remuneration of directors

	15 months ended 31 December 1997 £	Year ended 30 September 1996 £
Directors' emoluments	428,266	375,890

The emoluments of the highest paid director were £139,980 (*year ended 30 September 1996: £110,696*). He is a member of a defined benefit scheme, under which his accrued pension at the period end was £41,130 (*30 September 1996: £38,808*).

Notes (continued)

6 Remuneration of directors (continued)

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	-	-
Defined benefit schemes	2	3
	<hr/>	<hr/>
The number of directors who exercised share options was	3	-
	<hr/>	<hr/>

7 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	15 months ended	Year ended
	31 December	30 September
	1997	1996
Number of employees	641	844
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	15 months ended	Year ended
	31 December	30 September
	1997	1996
	£000	£000
Wages and salaries	20,311	24,071
Social security costs	4,492	4,026
Other pension costs	353	1,442
	<hr/>	<hr/>
	25,156	29,539
	<hr/>	<hr/>

Notes (continued)

8 Net interest

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
On bank loans and overdrafts	1,503	1,598
Interest receivable	(300)	(857)
	<u>1,203</u>	<u>741</u>

9 Taxation

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
UK corporation tax at 31.8% (<i>year ended 30 September 1996: 33 %</i>)	-	-
Deferred taxation	-	(107)
Overseas taxation	291	722
Prior year adjustments:		
Current tax	-	(212)
Deferred tax	-	85
	<u>291</u>	<u>488</u>

10 Dividends

	15 months ended 31 December 1997 £000	Year ended 30 September 1996 £000
Equity shares:		
Interim dividend paid (<i>year ended 30 September 1996 1.1p</i>)	-	325
Final dividend proposed (<i>year ended 30 September 1996 1.4p</i>)	-	412
	<u>-</u>	<u>737</u>

Notes (continued)

11 Profit attributable to members of the parent company

No profit and loss account is presented for the Company as permitted by Section 230 of the Companies Act 1985. The profit/(loss) dealt with in the accounts of the Company was £154,000 (1996: £217,000).

12 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
Group			
<i>Cost or valuation</i>			
At 1 October 1996	10,360	11,486	21,846
Exchange rate adjustments	(673)	(837)	(1,510)
Additions	47	2,163	2,210
Disposals	(2,081)	(792)	(2,873)
Disposal of business	(5,227)	(946)	(6,173)
Revaluations	-	(968)	(968)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	2,426	10,106	12,532
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 October 1996	1,988	5,723	7,711
Exchange rate adjustments	(133)	(509)	(642)
Charge for period	594	1,401	1,995
On disposals	(392)	(741)	(1,133)
Disposal of business	(105)	1,115	1,010
	<hr/>	<hr/>	<hr/>
At 31 December 1997	1,952	6,989	8,941
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1997	474	3,117	3,591
	<hr/>	<hr/>	<hr/>
At 30 September 1996	8,372	5,763	14,135
	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Tangible fixed assets (continued)

Company	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost or valuation</i>			
At 1 October 1996	76	1,718	1,794
Additions	-	44	44
Disposals	-	(51)	(51)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	76	1,711	1,787
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 31 December 1996	1	319	320
Charge for period	4	253	257
On disposals	-	(20)	(20)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	5	552	557
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1997	71	1,159	1,230
	<hr/>	<hr/>	<hr/>
At 30 September 1996	75	1,399	1,474
	<hr/>	<hr/>	<hr/>

The net book value of land and buildings comprises:

	Group		Company	
	31 December 1997 £000	30 September 1996 £000	31 December 1997 £000	30 September 1996 £000
Freehold	288	7,267	-	-
Long leasehold	4	1,024	-	-
Short leasehold	182	81	71	75
	<hr/>	<hr/>	<hr/>	<hr/>
	474	8,372	71	75
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

12 Tangible fixed assets (continued)

The historical cost of land and buildings at 31 December 1997 was as follows:

	Group		Company	
	31 December	30 September	31 December	30 September
	1997	1996	1997	1996
	£000	£000	£000	£000
Cost of revalued assets	2,020	6,701	76	76
Depreciation	(1,797)	(2,547)	(5)	(1)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value	223	4,154	71	75
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of plant and machinery is £28,288 (30 September 1996: £67,000) in respect of assets held under finance lease.

13 Fixed asset investments

	Group		Company	
	31 December	30 September	31 December	30 September
	1997	1996	1997	1996
	£000	£000	£000	£000
Shares at cost less provisions	1,788	6	30,854	31,004
Own shares	-	250	-	250
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	1,788	256	30,854	31,254
	<hr/>	<hr/>	<hr/>	<hr/>

The Group's shares represent its remaining 9% minority interest in Autronica, which is stated at cost.

The Company's investments comprise shares in Group undertakings.

The principal subsidiaries in which the Company holds 100% of the equity are set out below. Those in which the equity is held by a subsidiary undertaking are marked with an asterisk.

Notes (continued)

13 Fixed asset investments (continued)

	Country of incorporation and operation	Principal activity
<i>Undertakings</i>		
* Coggins Systems Inc	USA	Liquid Measurement and Control
* Elcon Instruments Srl	Italy	Intrinsically Safe Electronics
Whessoe Varec Limited	England	Liquid Measurement and Control
* Whessoe Varec Inc	USA	Liquid Measurement and Control
* Whessoe Varec SA	France	Liquid Measurement and Control
* AG Marvac Limited	England	Liquid Measurement and Control
* Elcon Instruments Inc	USA	Intrinsically Safe Electronics
* Elcon Instruments Limited	UK	Intrinsically Safe Electronics

In addition, the whole of the equity of eleven trading and two dormant subsidiary undertakings is held within the Group.

The directors consider that the aggregate value of the Company's investment in subsidiary undertakings is not less than the amount stated in the balance sheet.

14 Stocks

	Group		Company	
	31 December 1997 £000	30 September 1996 £000	31 December 1997 £000	30 September 1996 £000
Raw materials and consumables	3,879	3,901	-	-
Work in progress	1,527	1,807	-	-
Finished goods and goods for resale	2,228	7,321	-	-
	<u>7,634</u>	<u>13,029</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	31 December 1997 £000	30 September 1996 £000	31 December 1997 £000	30 September 1996 £000
Trade debtors	9,577	24,207	-	-
Amounts recoverable on contracts	100	650	-	-
Amounts owed by new parent undertaking	34,690	-	-	-
Amounts owed by subsidiary undertakings	-	-	25,266	25,074
Other debtors	771	2,117	1,283	819
Prepayments and accrued income	716	2,293	-	780
	<u>45,854</u>	<u>29,267</u>	<u>26,549</u>	<u>26,673</u>

Notes (continued)

15 Debtors (continued)

Included within prepayments and accrued income for the Group is £Nil (1996: £1,173,000) and for the Company £Nil (1996: £689,000) in respect of pension contributions made in advance of their recognition in the profit and loss account.

Debtors receivable after more than one year include other debtors, prepayments and accrued income for the Group of £275,000 (1996: £1,079,000) and for the Company of £275,000 (1996: £825,000).

16 Creditors: amounts falling due within one year

	Group		Company	
	31 December	30 September	31 December	30 September
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loans and overdrafts (see note 17)	1,887	2,313	1,669	903
Convertible loan stock (see note 17)	-	358	-	358
Progress claims in advance	167	71	-	-
Trade creditors	4,643	10,206	60	57
Bills of exchange payable	121	237	-	-
Amounts owed to group undertakings	48	-	-	-
Taxation and social security	662	2,969	2	184
Other creditors and accruals	4,063	10,475	1,206	1,835
Dividend proposed	-	412	-	412
	<u>11,591</u>	<u>27,041</u>	<u>2,937</u>	<u>3,749</u>

17 Creditors: amounts falling due after more than one year

	Group		Company	
	31 December	30 September	31 December	30 September
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loans	1,375	6,098	-	-
Other loans	6,079	6,336	-	-
Other creditors	14	55	-	27
	<u>7,468</u>	<u>12,489</u>	<u>-</u>	<u>27</u>

Notes (continued)

17 Creditors: amounts falling due after more than one year (continued)

Analysis of debt:

	Group		Company	
	31 December	30 September	31 December	30 September
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loans and overdraft				
Between one and two years	1,375	714	-	-
Between two and five years	-	3,498	-	-
In five years or more	-	1,886	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Bank loans after more than one year (note 17)	1,375	6,098	-	-
Less than one year (note 16)	1,887	2,313	1,669	903
	<hr/>	<hr/>	<hr/>	<hr/>
	3,262	8,411	1,669	903
Convertible loan stock				
Less than one year (note 16)	-	358	-	358
Other loans				
Between two and five years (note 17)	6,079	6,336	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	9,341	15,105	1,669	1,261
	<hr/>	<hr/>	<hr/>	<hr/>

The terms of repayment and rates of interest are as follows:

Bank loans - The one bank loan repayable within one year is denominated in Italian Lira. The interest rate on the borrowing is variable. At 31 December 1997 the interest rate was 7.92%.

Other loan - The other loan repayable in two to five years is an issue of 8.33% unsecured Senior Guaranteed Loan Notes on 4 February 1993 with a final maturity of 1 March 2003.

Notes (continued)

18 Provisions for liabilities and charges

	Taxation including deferred taxation £000	Other provisions £000	Total £000
Group			
At 1 October 1996	23	166	189
Reclassification (formerly in accruals)	371	1,415	1,786
	<hr/>	<hr/>	<hr/>
At 31 December 1997	394	1,581	1,975
	<hr/>	<hr/>	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below:

	31 December 1997		30 September 1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	15	10	21	-
Short term timing differences	(7)	7	32	-
Advance corporation tax recoverable	-	-	(30)	-
Overseas timing differences	386	9		
	<hr/>	<hr/>	<hr/>	<hr/>
	394	26	23	-
	<hr/>	<hr/>	<hr/>	<hr/>

19 Called up share capital

	31 December 1997 £000	30 September 1996 £000
Authorised		
Ordinary shares of 25p each	12,000	12,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
Ordinary shares of 25p each	7,573	7,407
	<hr/>	<hr/>

During the period 664,000 shares with a nominal value of £166,000 were allotted. Consideration of £427,562 was received in respect of these shares.

Notes (continued)

20 Share premium and reserves

	Group			
	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 October 1996	20,621	215	(14,919)	10,124
Retained profit for the period	-	-	-	5,450
Premium on share issues, less expenses	258	-	-	-
Goodwill transferred to profit and loss account on disposal	-	-	12,827	-
Exchange adjustments	-	-	(1,868)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	20,879	215	(3,960)	15,574
	<hr/>	<hr/>	<hr/>	<hr/>

	Company			
	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At 1 October 1996	20,621	-	(315)	27,988
Retained profit for the period	-	-	-	154
Premium on share issues, less expenses	258	-	-	-
Exchange adjustments	-	-	(583)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1997	20,879	-	(898)	28,142
	<hr/>	<hr/>	<hr/>	<hr/>

21 Contingent liabilities

At 31 December 1997 there were contingent liabilities of £645,000 under bank guarantees for the performance of contracts.

At 31 December 1997 notification of a possible claim concerning the non supply of flame arresters had been received by AG Marvac Limited. The amounts which may be claimed are understood to be significant. The validity or otherwise of the possible claim is being investigated and the directors intend to defend the claim vigorously. Their view, based on information currently available, is that the claim will not result in a material liability to the group.

Notes (continued)

22 Commitments

- (a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	Group		Company	
	31 December 1997 £000	30 September 1996 £000	31 December 1997 £000	30 September 1996 £000
Contracted	224	148	-	-

- (b) Annual commitments under non-cancellable operating leases are as follows:

	31 December 1997		30 September 1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Group				
Operating leases which expire:				
Within one year	146	11	36	44
In the second to fifth years inclusive	410	109	464	146
Over five years	255	-	726	-
	<u>811</u>	<u>120</u>	<u>1,226</u>	<u>190</u>

23 Pension scheme

At 30 September 1996 the accounts showed an asset of £641,000 in respect of deferred members of the Whesoe Group Pension Scheme (the Scheme) in accordance with the provisions of SSAP 24. However, since the previous accounting date the Trustees of the Scheme have secured the liabilities of the deferred members by the purchase of deferred annuities with an insurance company. The deferred members are no longer, therefore, a liability on the Scheme. It has transpired that the cost of securing these benefits is significantly less than anticipated by the insurance company in their original quotation. As a consequence the insurer has made a refund of £1,000,000 to the Trustees of the Scheme. The Scheme Actuary has indicated that it is likely that this refund will mean that the Scheme is in a surplus position. An actuarial valuation of the Scheme is being made as at 1 April 1998 to determine the exact financial position. In the circumstances it has been deemed appropriate to write down to zero the asset in the company's accounts in respect of the deferred members.

Notes (continued)

24 Sale of business

	£000
Net assets disposed of	9,431
9% investment retained	(1,788)
Goodwill written back	12,827
Costs associated with disposal	7,794
	<hr/> 28,264
Profit on disposal	7,837
	<hr/> 36,101
Satisfied by	
Debt from associate company	<hr/> 36,101 <hr/>

25 Related party disclosures

The company is controlled by Endress + Hauser Consult AG, a company incorporated in Switzerland.

26 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of Endress + Hauser (International) Holding AG, which is the ultimate parent company incorporated in Switzerland.

The largest group in which the results of the company are consolidated is that headed by, Endress + Hauser Consult AG. The consolidated accounts of these groups are available to the public and may be obtained from:

Endress + Hauser (International) Holding AG
 Kägenstrasse 7
 4153 Reinach/BL1
 Switzerland