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COMPANY NUMBER 00539607

ROHDE & SCHWARZ U.K. LIMITED

Financial Statements

**Year ended
30 June 2002**



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ROHDE & SCHWARZ U.K. LIMITED

Annual report and financial statements for the year ended 30 June 2002

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Directors

C.G. Morrow
Dr W. Winter

Bankers

HSBC
54 Clarence Street
Kingston Upon Thames
Surrey
KT1 1NS

Secretary and Registered Office

J. Edwards
Rohde & Schwarz House
Ancells Business Park
Fleet
Hampshire
GU51 2UZ

Company Number

00539607

Auditors

BDO Stoy Hayward
Emerald House
East Street
Epsom
Surrey
KT17 1HS

ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT

Year ended 30 June 2002

The directors submit their report and financial statements for the year ended 30 June 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is the sale and service of specialised imported electronic test, measuring and communication equipment.

RESULTS AND DIVIDEND

Details of the results for the year are shown in the profit and loss account and the related notes. An interim dividend of £250,000 has been paid. No final dividend is proposed.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The results for the year were as expected taking account of the current market opportunities.

There have been no events since the balance sheet date which materially affect the position of the company.

DIRECTORS

The directors who served during the year were as follows:

C. G. Morrow
Dr W. Winter

None of the directors had any interest in the ordinary shares of the company during the year.

The director who retires by rotation is Dr W. Winter who, being eligible, offers himself for re-election.

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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 steps for the prevention and detection of fraud and other irregularities.

ROHDE & SCHWARZ U.K. LIMITED

DIRECTORS' REPORT (continued)

Year ended 30 June 2002

SHARE CAPITAL

During the year the company purchased the 18,900 ordinary £1 shares, representing 10.8% of the issued share capital, held by the minority shareholders for consideration of £1 million. These shares have been cancelled.

AUDITORS

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the board

A handwritten signature in black ink, appearing to read 'C. Morrow', is positioned above the printed name and title.

C. MORROW
Director

Date: 30 July 2002

ROHDE & SCHWARZ U.K. LIMITED

REPORT OF THE INDEPENDENT AUDITORS

To the shareholders of Rohde & Schwarz U.K. Limited

We have audited the financial statements of Rohde & Schwarz U.K. Limited for the year ended 30 June 2002 on pages 4 to 18. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the director and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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.

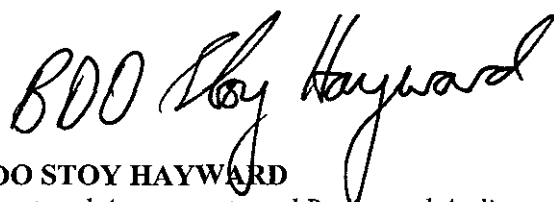
Basis of audit opinion

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 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BDO STOY HAYWARD
Chartered Accountants and Registered Auditors
EPSOM, SURREY

30 July 2002

ROHDE & SCHWARZ U.K. LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2002

	Note	2002	2001
		£	£
TURNOVER	2	19,252,207	44,296,819
Cost of sales		12,917,225	34,902,783
GROSS PROFIT		6,334,982	9,394,036
Personnel and related expenses		1,998,816	2,371,641
Selling costs		524,781	1,016,490
Establishment costs		767,931	614,963
		3,291,528	4,003,094
		3,043,454	5,390,942
Other income and income charges		68,136	443,515
OPERATING PROFIT	3	3,111,590	5,834,457
Interest receivable		689,272	731,370
Interest payable	4	(1,904)	(5,362)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,798,958	6,560,465
Tax on profit on ordinary activities	8	979,121	2,004,000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2,819,837	4,556,465
Dividend	9	250,000	-
RETAINED PROFIT FOR THE YEAR	18	2,569,837	4,556,465

All amounts relate to continuing activities.

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

A statement of the movement in shareholders' funds can be found in note 18.

The notes on pages 7 to 18 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED
BALANCE SHEET
30 June 2002

	Note	2002	2001
		£	£
FIXED ASSETS			
Tangible assets	10	647,141	699,804
CURRENT ASSETS			
Stock and work in progress	11	2,031,884	1,669,984
Debtors	12	13,742,072	8,485,838
Cash at bank and in hand		11,256,154	22,458,022
		<u>27,030,110</u>	<u>32,613,844</u>
CREDITORS: amounts falling due within one year	13	<u>7,293,086</u>	<u>14,486,755</u>
NET CURRENT ASSETS		<u>19,737,024</u>	<u>18,127,089</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,384,165</u>	<u>18,826,893</u>
CREDITORS: amounts falling due after more than one year	14	-	12,565
PROVISIONS FOR LIABILITIES AND CHARGES			
Provision for guarantee liability	15	<u>1,585,412</u>	<u>1,585,412</u>
		<u>18,798,753</u>	<u>17,228,916</u>
CAPITAL AND RESERVES			
Called up share capital	17	156,100	175,000
Capital redemption reserve	18	18,900	-
Profit and loss account	18	<u>18,623,753</u>	<u>17,053,916</u>
EQUITY SHAREHOLDERS' FUNDS	19	<u>18,798,753</u>	<u>17,228,916</u>

These financial statements were approved by the board and signed on its behalf by:



C. G. MORROW
Director

Date: 30 July 2002

The notes on pages 7 to 18 form part of these financial statements.

ROHDE & SCHWARZ U.K. LIMITED
NOTES ON THE FINANCIAL STATEMENTS
Year Ended 30 June 2002

	Note	2002	2001
		£	£
CASH FLOW FROM OPERATING ACTIVITIES	22	(8,771,314)	9,128,116
Returns on investment and servicing of finance			
Interest received		795,140	696,032
Interest paid		(1,904)	(5,362)
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		793,236	690,670
TAXATION			
UK corporation tax paid		(1,598,003)	(2,246,001)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(157,809)	(306,909)
Sale of tangible fixed assets		-	16,751
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE AND FINANCIAL INVESTMENTS		(157,809)	(290,158)
EQUITY DIVIDENDS PAID		(250,000)	-
SHARE REDEMPTION		(1,000,000)	-
CASH FLOW BEFORE MANAGEMENT OF LIQUID RESOURCES AND FINANCING	24	(10,983,890)	7,282,627
MANAGEMENT OF LIQUID RESOURCES			
Cash withdrawn from/(transferred to) investment accounts		5,922,357	(3,310,526)
FINANCING			
Capital element of hire purchase contracts		(8,011)	(7,849)
(DECREASE)/INCREASE IN CASH IN THE YEAR	24	(5,069,544)	3,964,252

The notes on pages 7 to 18 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS
Year Ended 30 June 2002

1 ACCOUNTING POLICIES

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

Translation of foreign currency

Foreign currency transactions are translated at the rates ruling when they occurred.

Foreign currency balances are translated to sterling at the exchange rates ruling at the balance sheet date.

Stocks and work in progress

Stocks represent finished goods and demonstration stock which is stated at the lower of cost and net realisable value. Demonstration stock held for a period in excess of one year is provided against at a rate of 25% per annum

Work in progress arises on long term contracts. Profit on these contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as the proportion of total contract value which corresponds to the proportion of costs incurred at the year end compared to total expected costs for that contract. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Investment Properties

The investment properties are revalued annually to open market value and no depreciation is provided. The directors consider that this accounting policy results in the financial statements giving a true and fair view. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

The aggregate surplus or deficit arising on revaluation is transferred to the revaluation reserve except where a deficit is deemed to represent a permanent diminution in value, in which case it is charged to the profit and loss account.

Depreciation and amortisation

Short leasehold premises are amortised over the unexpired portion of the lease. Other fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

Furniture and equipment	15% per annum
Demonstration and service equipment	20% per annum
Motor vehicles and computer equipment	25% per annum

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2002

1 ACCOUNTING POLICIES (continued)

Guarantee liability

In respect of contracts where the company has given a guarantee a provision is made for the expected future guarantee liability. This guarantee liability is estimated based on the actual costs of servicing guarantees in the year and the unexpired guarantee periods at the balance sheet date. Liabilities arising under the guarantees are charged against the profits for the year.

Pension costs

Staff are eligible for membership of a pension and life assurance scheme operated by the company. Retirement benefits to employees of the company are provided by a defined contribution money purchase scheme which is funded by contributions paid to a separately administered fund. The current contribution rate is 5% of payroll costs.

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 over 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.

2 TURNOVER

Turnover is stated net of value added tax and discounts given and represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced.

Turnover and profit on ordinary activities before tax relate to the company's principal activities. The analysis of turnover by geographical market is as follows:

	2002 £	2001 £
United Kingdom	17,444,874	35,682,145
Rest of Europe	384,928	1,718,908
USA	977,319	67,576
Middle East / North Africa	112,278	-
Cayman Islands	332,808	6,828,190
	<u>19,252,207</u>	<u>44,296,819</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued) **30 June 2002**

3 OPERATING PROFIT

	2002	2001
	£	£
Is stated after charging/(crediting):		
Depreciation - owned assets	202,073	179,094
- assets held under hire purchase contracts	8,400	9,749
Profit on sale of fixed assets	-	(10,856)
Auditors' remuneration - audit	22,843	26,211
- other services	11,250	10,645
Rentals under operating lease	77,079	85,923
(Profit)/loss on foreign exchange	(209,967)	478,776

4 INTEREST PAYABLE

	2002	2001
	£	£
Hire purchase	1,837	2,895
Other	67	2,467
	<u>1,904</u>	<u>5,362</u>

5 INTEREST RECEIVABLE

	2002	2001
	£	£
Bank	556,564	731,370
Loan to group company	132,708	-
	<u>689,272</u>	<u>731,370</u>

6 EMPLOYEES

	2002	2001
	£	£
Wages and salaries	1,510,907	1,837,883
Social security costs	161,645	198,406
Pension costs	297,383	235,242
Health insurance	3,399	6,431
	<u>1,973,334</u>	<u>2,277,962</u>

The average number of employees of the company during the year was made up as follows:

	2002	2001
	Number	Number
Sales	23	27
Service	13	16
Administration	8	10
	<u>44</u>	<u>53</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2002

7 DIRECTORS

	2002	2001
	£	£
Directors' emoluments consist of:		
Fees and remuneration for management services	174,649	182,454
Payments to defined contribution pension scheme	18,112	11,376
	<u>192,761</u>	<u>193,830</u>

There was 1 (2001: 1) director in the company's defined contribution pension scheme during the year.

8 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£	£
The tax charge consists of:		
UK corporation tax at 30 %	1,160,855	2,004,000
Adjustments in respect of prior years:		
UK corporation tax at 30%	(181,734)	-
	<u>979,121</u>	<u>2,004,000</u>
Profit on ordinary activities before tax	<u>3,798,958</u>	<u>6,560,465</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30%	1,139,687	1,968,139
Effects of:		
Expenses not deductible for tax purposes	16,973	5,511
Depreciation in period in excess of capital allowances	4,195	1,341
Over provision of corporation tax in prior years	(181,734)	-
Over provision of corporation tax in year	-	29,009
	<u>979,121</u>	<u>2,004,000</u>

9 DIVIDENDS

	2002	2001
	£	£
Interim ordinary dividend paid at £1.60 per share:	<u>250,000</u>	<u>-</u>

ROHDE & SCHWARZ U.K. LIMITED

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2002

10 TANGIBLE ASSETS

	Freehold investment property £	Short leasehold premises £	Furniture and equipment £	Demonstration and service equipment £	Motor vehicles £	Computer equipment £	Total £
Cost							
At 1 July 2001	79,660	109,383	247,419	1,107,264	73,482	442,070	2,059,278
Additions	-	-	564	141,482	14,908	855	157,809
Disposals	-	-	-	594,645	-	272,439	867,084
At 30 June 2002	<u>79,660</u>	<u>109,383</u>	<u>247,983</u>	<u>654,101</u>	<u>88,390</u>	<u>170,486</u>	<u>1,350,003</u>
Depreciation							
At 1 July 2001	-	59,791	160,900	735,110	46,521	357,152	1,359,474
Disposals	-	-	-	594,645	-	272,439	867,084
Charge for year	<u>1,726</u>	<u>6,401</u>	<u>22,678</u>	<u>127,417</u>	<u>16,730</u>	<u>35,520</u>	<u>210,472</u>
At 30 June 2002	<u>1,726</u>	<u>66,192</u>	<u>183,578</u>	<u>267,882</u>	<u>63,251</u>	<u>120,233</u>	<u>702,862</u>
Net book value:							
At 30 June 2002	<u>77,934</u>	<u>43,191</u>	<u>64,405</u>	<u>386,219</u>	<u>25,139</u>	<u>50,253</u>	<u>647,141</u>
At 30 June 2001	<u>79,660</u>	<u>49,592</u>	<u>86,519</u>	<u>372,154</u>	<u>26,961</u>	<u>84,918</u>	<u>699,804</u>

The net book value of tangible fixed assets includes an amount of £13,541 (2001: £21,122) in respect of assets held under hire purchase agreements.

11 STOCK AND WORK IN PROGRESS

	2002 £	2001 £
Finished goods and goods held for resale	<u>2,031,884</u>	<u>1,669,984</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2002

12 DEBTORS

Amounts receivable within one year:

	2002 £	2001 £
Trade debtors	3,476,837	7,460,344
Amounts due from group companies	10,042,796	752,366
Other debtors	80,823	203,369
Prepayments	141,616	69,759
	<u>13,742,072</u>	<u>8,485,838</u>

13 CREDITORS

Amounts falling due within one year:

	2002 £	2001 £
Payments on account	-	1,139,832
Trade creditors	175,834	204,559
Amounts owed to group companies	4,869,778	9,342,719
Corporation tax	734,931	1,353,812
Other taxes and social security costs	99,579	1,115,081
Other creditors	251,788	381,275
Obligations under hire purchase contracts	13,335	8,781
Accruals and deferred income	1,147,841	940,696
	<u>7,293,086</u>	<u>14,486,755</u>

14 CREDITORS

Amounts falling due after more than one year:

	2002 £	2001 £
Obligations under hire purchase contracts	-	12,565

Obligations under hire purchase contracts are due as follows:

In more than one year but not more than two years	-	12,565
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15 PROVISIONS FOR GUARANTEE LIABILITY

	2002 £	2001 £
Provision at 1 July 2001	1,585,412	1,587,239
Decrease in provision in the year	-	(1,827)
Provision at 30 June 2002	<u>1,585,412</u>	<u>1,585,412</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2002

16 DEFERRED TAX

	2002		2001	
	Potential asset £	Amount provided £	Potential asset £	Amount provided £
Provision has been made for deferred tax at 30% as follows:				
Accelerated capital allowances	22,216	-	15,460	-

17 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2002 £	2001 £	2002 £	2001 £
Ordinary shares of £1 each	175,000	175,000	156,100	175,000

On 22 October 2001 the company redeemed 18,900 ordinary shares of £1 each for consideration of £1 million.

18 RESERVES

	Capital redemption reserve £	Profit and Loss account £
At 1 July 2001	-	17,053,916
Retained profit for the year	-	2,569,837
Redemption of shares in year (note 17)	18,900	(18,900)
Premium paid on redemption of shares in year (note 17)	-	(981,100)
At 30 June 2002	18,900	18,623,753

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	2,819,837	4,556,465
Dividends	(250,000)	-
Redemption of shares (note 17)	(1,000,000)	-
Net addition to shareholders' funds	1,569,837	4,556,465
Opening shareholders' funds	17,228,916	12,672,451
Closing shareholders' funds	18,798,753	17,228,916

NOTES ON THE FINANCIAL STATEMENTS (continued)**30 June 2002**

20 PENSIONS

The company sponsors the Rohde & Schwarz UK Limited Retirement Benefits Plan which is primarily a defined contribution arrangement. The Plan changed from being a defined benefit arrangement to a defined contribution arrangement on 28 February 1995. The benefits of the deferred pensioners at that date have been preserved within the Plan.

In addition, the company currently has a final salary commitment for a director. The amounts stated below make an allowance for this commitment.

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 30 June 2001.

Normal contributions made by the company over the financial year were £100,517.20, equivalent to 5% of pensionable pay in respect of the defined contribution membership. In addition to this the company has met the premiums for death in service benefits and the costs of administering the Plan. No contributions have been paid in respect of the deferred pensioners in accordance with the recommendation made in the last actuarial valuation report. The next actuarial valuation of the Plan is due no later than 1 April 2004. In addition to the normal contributions paid in the year a £300,000 special contribution was paid in respect of the final salary commitment referred to above.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 30 June 2002 calculated in accordance with the requirements of FRS17. They also require disclosure of the items which would appear in the profit and loss account and in the statement of total recognised gains and losses were the full requirements of FRS17 in place. For the purpose of these financial statements, all of these figures are illustrative only and do not impact on the actual 30 June 2002 balance sheet or on this year's performance statements.

Assumptions

The assets of each scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	30 June 2002	30 June 2001
Inflation	3.0% p.a.	2.75% p.a.
Salary increases	5.0% p.a.	4.75% p.a.
Rate of discount	5.75% p.a.	6.0% p.a.
Pension in payment increases	As guaranteed	As guaranteed
Revaluation rate for deferred pensioners	3.0% p.a.	2.75% p.a.

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2002

20 PENSIONS (continued)

Illustrative balance sheet figures

	30 June 2002	30 June 2001
	£'000	£'000
Assets (see below)	1,834	1,618
Liabilities – Money Purchase	831	825
Liabilities – Final Salary	1,001	681
Surplus	2	112

Assets

	30 June 2002	30 June 2001
	£'000	£'000
Equities	1,356	1,327
Bonds	196	194
Other	282	97

Expected long term rate of return

	30 June 2002	30 June 2001
Bonds	5.75%	6.0%
Equities	7.0%	7.0%

Illustrative charge to the profit and loss account for the financial year

	£'000
Current service cost	18
Past service cost	-
Previous unrecognised surplus deducted from past service cost	-
Gains and losses on settlements and curtailments	-
Previous unrecognised surplus deducted from settlement or curtailment losses	-
Interest on pension scheme liabilities	41
Expected return on pension scheme assets	(57)
Total	2

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2002

20 PENSIONS (continued)

Illustrative amounts which would be included within the statement of total recognised gains and losses for the year ended 30 June 2002

	£'000	Percentage of scheme assets at 30 June 2002
<i>Final Salary Scheme Assets</i>		
Difference between expected and actual return on assets	(147)	18.3%
Experience gains and losses arising on the scheme liabilities	(191)	23.4%
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	(70)	8.7%
Total	<u>(408)</u>	

Movement in illustrative balance sheet surplus figures during the year ended 30 June 2002

	£'000
Surplus in scheme at beginning of year	112
Movement in year:	
Current service cost	(18)
Contributions	300
Past service costs	-
Other finance income	16
Actuarial loss	(408)
Surplus in scheme at end of year	<u>2</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

30 June 2002

21 CONTINGENT LIABILITIES

Certain guarantees have been given by the company's bankers to third parties in the normal course of business. No loss is expected to arise as a result of these guarantees.

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	3,111,590	5,834,457
Depreciation charge	210,472	188,843
Loss on sale of tangible fixed assets	-	(10,857)
(Increase)/decrease in stocks	(361,900)	4,422,630
(Increase)/decrease in debtors	(5,362,102)	2,054,443
Decrease in creditors	(6,579,341)	(3,582,763)
Translation difference	209,967	221,363
	<u>(8,771,314)</u>	<u>9,128,116</u>

23 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	£
Decrease in cash in the year	(5,069,544)
Cash outflow from decrease in hire purchase financing	8,011
Cash inflow from decrease in liquid resources	<u>(5,922,357)</u>
Change in net funds resulting from cash flows	(10,983,890)
Translation difference	<u>(209,967)</u>
Movement in net funds in the year	(11,193,857)
Net funds at 1 July 2001	<u>22,436,676</u>
Net funds at 30 June 2002	<u>11,242,819</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)
30 June 2002

24 ANALYSIS OF NET DEBT

	Opening balance £	Cashflow £	Exchange movement £	Closing balance £
Cash	8,415,190	(5,069,544)	-	3,345,646
Cash on deposit	14,042,832	(5,922,357)	(209,967)	7,910,508
Total cash at bank and in hand	22,458,022	(10,991,901)	(209,967)	11,256,154
Hire purchase contracts	(21,346)	8,011	-	(13,335)
	<u>22,436,676</u>	<u>(10,983,890)</u>	<u>(209,967)</u>	<u>11,242,819</u>

25 COMMITMENTS UNDER OPERATING LEASES

As at 30 June 2002 the company had annual commitments under non-cancellable operating leases as set out below.

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
In less than one year	-	68,156	-	-
In two to five years	-	21,385	-	89,541
After more than five years	202,300	-	202,300	-
	<u>202,300</u>	<u>89,541</u>	<u>202,300</u>	<u>89,541</u>

26 ULTIMATE HOLDING COMPANY

The ultimate holding company is Rusint A.G., a company incorporated in Switzerland.

27 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8, "Related Party Transactions", not to disclose transactions with entities that are part of the same group on the basis that consolidated financial statements in which the company is included are publicly available from the offices of the company.