

REGISTRAR'S COPY

COMPANY NUMBER 998521

Hounsfield Test Equipment Limited

Report and Abbreviated Financial Statements

Year Ended

31 December 2000



BDO

BDO Stoy Hayward
Chartered Accountants

Hounsfield Test Equipment Limited

Annual report and financial statements for the year ended 31 December 2000

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Directors

M R C Hounsfield Chairman
J C Ivory Managing Director
M J Wheeler
P M O Woolford
J A Millane (American)
C R Tait Jnr (American)
J P Loftus (American)

Secretary and registered office

P M O Woolford, 6 Perrywood Business Park, Honeycrook Lane, Salfords, Surrey RH1 5DZ

Company number

998521

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL

Hounsfield Test Equipment Limited

Report of the directors for the year ended 31 December 2000

The directors present their report together with the audited financial statements for the year ended 31 December 2000.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

The directors do not recommend the payment of a dividend.

Principal activities, review of business and future developments

The principal activity of the company during the year was that of producers of load test equipment.

The year 2000 was an important year for the company, which saw the further development of our business, continued innovation and substantial new investment.

This strategy has resulted in strong growth and record profitability.

Research and development activities

The company continues to run an extensive research and development programme which, in the opinion of the directors, is essential for the growth of the business.

Directors

The directors of the company during the year were:

M R C Hounsfield
J C Ivory
L G Brake-Whitley (resigned 1 October 2000)
M J Wheeler
P M O Woolford (appointed 11 September 2000)
J A Millane
C R Tait Jnr
J P Loftus

No director had any interest in the ordinary shares of the company.

Hounsfield Test Equipment Limited

Report of the directors for the year ended 31 December 2000 (*Continued*)

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 year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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.

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



P M O Woolford

Director

20 June 2001

Hounsfield Test Equipment Limited

Report of the auditors

Report of the auditors to Hounsfield Test Equipment Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 5 to 24 together with the financial statements of the company for the year ended 31 December 2000 prepared under section 226 of the Companies Act 1985.

Respective responsibilities of directors and auditors

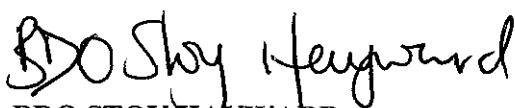
The directors are responsible for preparing the abbreviated financial statements in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the financial statements to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated financial statements and that the abbreviated financial statements to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated financial statements prepared in accordance with section 246A(3) of the Companies Act 1985 and the abbreviated financial statements on pages 5 to 24 are properly prepared in accordance with that provision.



BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
London

20 June 2001

Hounsfield Test Equipment Limited

Profit and loss account for the year ended 31 December 2000

	Note	2000 £	1999 £
Gross profit		2,920,510	2,437,013
Distribution costs		492,543	447,820
Administrative expenses		1,706,645	1,597,081
Operating profit	4	721,322	392,112
Interest receivable and similar income	5	49,120	25,742
Interest payable and similar charges	6	(65,578)	(71,865)
Profit on ordinary activities before taxation		704,864	345,989
Taxation on profit on ordinary activities	7	237,411	104,300
Profit on ordinary activities after taxation retained for the year		467,453	241,689

All amounts relate to continuing activities.

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

There are no movements in shareholders' funds in the current and prior year apart from the profit for the year.

The notes on pages 9 to 24 form part of these financial statements.

Hounsfield Test Equipment Limited

Balance sheet at 31 December 2000

	Note	2000 £	2000 £	1999 £	1999 £
Fixed assets					
Intangible assets	8		-		38,813
Tangible assets	9		1,457,732		1,427,343
Investments	10		15,095		24,116
			<u>1,472,827</u>		<u>1,490,272</u>
Current assets					
Stocks	11	836,292		737,703	
Debtors	12	1,129,697		941,130	
Cash at bank and in hand		1,054,280		735,163	
		<u>3,020,269</u>		<u>2,413,996</u>	
Creditors: amounts falling due within one year	13	1,272,799		882,555	
Net current assets			<u>1,747,470</u>		<u>1,531,441</u>
Total assets less current liabilities			<u>3,220,297</u>		<u>3,021,713</u>
Creditors: amounts falling due after more than one year	14		770,849		1,039,718
			<u>2,449,448</u>		<u>1,981,995</u>
Capital and reserves					
Called up share capital	16		18,000		18,000
Share premium account	17		558,000		558,000
Profit and loss account	17		1,873,448		1,405,995
Equity shareholders' funds			<u>2,449,448</u>		<u>1,981,995</u>

The notes on pages 9 to 24 form part of these financial statements.

Hounsfield Test Equipment Limited

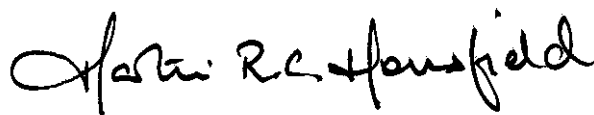
Balance sheet at 31 December 2000 (*Continued*)

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

The financial statements were approved by the Board on 20 June 2001

M R C Hounsfield

Director

A handwritten signature in black ink, appearing to read "Martin R.C. Hounsfield". The signature is written in a cursive, flowing style.

The notes on pages 9 to 24 form part of these financial statements.

Hounsfield Test Equipment Limited**Cash flow statement for the year ended 31 December 2000**

	Note	2000 £	1999 £
Net cash inflow from operating activities	19	720,638	594,037
Returns on investment and servicing of finance	20	(16,458)	(46,123)
Taxation	20	(136,117)	(54,438)
Capital expenditure and financial investment	20	(112,938)	(55,581)
Cash inflow before use of liquid resources and financing		455,125	437,895
Management of liquid resources	20	(250,000)	(400,000)
Financing	20	(136,008)	(133,905)
Increase/(decrease) in cash	21	69,117	(96,010)

The notes on pages 9 to 24 form part of these financial statements.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000

1 Accounting policies

The financial statements have been prepared under the historical cost convention. The following principal accounting policies have been applied:

Turnover

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

Tangible fixed assets

Depreciation

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

Freehold buildings	- over 50 years
Plant and machinery etc	- over 7 years
Motor vehicles	- over 3 to 4 years
Fixtures, fittings and equipment	- over 5 to 7 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials	cost of purchase on first in, first out basis
Work in progress and finished goods	cost of raw materials and labour together with attributable overheads appropriate to the stage of manufacture.

Net realisable value is based on estimated selling price less additional costs to completion and disposal. Specific provision is made for obsolete and slow moving items.

Deferred taxation

Provision is made for material 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.

Research and development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance, and is to be amortised in line with sales from the related product. All research and other development costs are written off as incurred.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 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

Until June 1997, the company operated a defined contribution pension scheme. This scheme was subsequently replaced by a group personal pension plan. Contributions are charged to the profit and loss account in the year in which they become payable.

Foreign currency

Except for fixed asset investments, which are recorded at historical cost, assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

2 Employees

Staff costs (including directors) consist of:

	2000 £	1999 £
Wages and salaries	1,393,716	1,334,844
Social security costs	138,633	129,773
Other pension costs	92,360	83,262
	1,624,709	1,547,879

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

2 Employees (*continued*)

The average number of employees (including directors) during the year was as follows:

	2000 Number	1999 Number
Office and management	9	9
Manufacturing	21	21
Sales and design	20	23
	50	53

3 Directors' remuneration

	2000 £	1999 £
Remuneration as executives	243,473	247,260
Company contributions to money purchase pension schemes	26,387	29,761
	269,860	277,021

There were 4 directors in the company's defined contribution pension scheme during the year (1999 - 4).

The total amount payable to the highest paid director in respect of emoluments was £72,656 (1999 - £62,765). Company pension contributions of £8,000 (1999 - £8,108) were made to a money purchase scheme on his behalf.

A pension of £15,000 (1999: £6,250) was paid to a former director.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

4 Operating profit

This is arrived at after charging/(crediting):

	2000 £	1999 £
Research and development - current year's expenditure	151,979	147,667
- amortisation of capitalised expenditure	38,813	40,000
Depreciation of tangible fixed assets	120,822	126,416
Operating lease rentals	51,366	47,438
Auditors' remuneration - audit services	12,500	11,750
Exchange loss on long term mortgage	30,773	9,610
Profit on sale of fixed assets	(5,373)	-
	<u> </u>	<u> </u>

5 Interest receivable and similar income

	2000 £	1999 £
Bank interest	49,120	25,742
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2000 £	1999 £
Other loans (see note 14)	20,160	25,944
Mortgage interest (see note 14)	39,168	38,486
Finance leases	6,250	7,435
	<u> </u>	<u> </u>
	65,578	71,865
	<u> </u>	<u> </u>

7 Taxation on profit on ordinary activities

	2000 £	1999 £
<i>UK Corporation tax</i>		
<i>Current year</i>		
Current tax on income for the year	237,411	133,000
Transfer from deferred taxation account	-	(28,700)
	<u> </u>	<u> </u>
	237,411	104,300
	<u> </u>	<u> </u>

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

8 Intangible assets

	Development costs
	£
<i>Cost</i>	
At 1 January 2000 and 31 December 2000	220,204
<i>Amortisation</i>	
At 1 January 2000	181,391
Provided for the year	38,813
At 31 December 2000	220,204
<i>Net book value</i>	
At 31 December 2000	-
At 31 December 1999	38,813

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

9 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
<i>Cost</i>					
At 1 January 2000	1,356,160	318,089	157,494	361,468	2,193,211
Additions	-	80,463	77,094	12,995	170,552
Disposals	-	-	(85,970)	-	(85,970)
At 31 December 2000	1,356,160	398,552	148,618	374,463	2,277,793
<i>Depreciation</i>					
At 1 January 2000	175,515	229,280	96,858	264,215	765,868
Provided for the year	21,258	35,084	24,127	40,353	120,822
Disposals	-	-	(66,629)	-	(66,629)
At 31 December 2000	196,773	264,364	54,356	304,568	820,061
<i>Net book value</i>					
At 31 December 2000	1,159,387	134,188	94,262	69,895	1,457,732
At 31 December 1999	1,180,645	88,809	60,636	97,253	1,427,343

The net book value of tangible fixed assets includes an amount of £40,895 (1999 - £64,277) in respect of assets held under finance leases. The related depreciation charge on these assets for the year was £21,831 (1999 - £43,008).

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

10 Fixed asset investments

	Unlisted	Listed investments	Total
	£	£	£
<i>Investments in incorporated undertakings</i>			
<i>Cost</i>			
At 1 January 2000 and 31 December 2000	60,209	1,802	62,011
<i>Provisions</i>			
At 1 January 2000	37,895	-	37,895
Provided for the year	9,021	-	9,021
At 31 December 2000	46,916	-	46,916
<i>Net book value</i>			
At 31 December 2000	13,293	1,802	15,095
At 31 December 1999	22,314	1,802	24,116
		2000	1999
		£	£
Listed investments:			
Market value		4,306	3,806

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

10 Fixed asset investments (*continued*)

Subsidiary undertakings, associated undertakings and other investments

The principal undertaking in which the company's interest at the year end is 20% or more are as follows:

	Country of incorporation	Nature of business
<i>Associated undertakings - joint ventures</i>		
Shanghai Hounsfield Test Equipment Co Ltd	China	Distributors of load test equipment

The associated undertakings, in which the company has a one third interest, conducts its business in China and is not required to deliver and does not otherwise publish its balance sheet. The directors do not consider the company's share of the post acquisition accumulated reserves of the associated undertaking to be material.

On 1 January 2001 the company's direct involvement in Shanghai Hounsfield Test Equipment Co Limited ceased. As a result at 31 December 2000, the carrying amount of the investment has been written down to nil value, as the company does not expect to receive any future benefit from this investment.

11 Stocks

	2000 £	1999 £
Raw materials and consumables	20,318	24,617
Work in progress	722,607	661,683
Finished goods and goods held for resale	93,367	51,403
	836,292	737,703

In the opinion of the directors there is no material difference between the replacement cost of stocks and the amounts stated above.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

12 Debtors

	2000 £	1999 £
Trade debtors	1,016,942	856,755
Other debtors	55,281	40,355
Prepayments and accrued income	57,474	44,020
	1,129,697	941,130

All amounts shown under debtors fall due for payment within one year.

13 Creditors: amounts falling due within one year

	2000 £	1999 £
Mortgage (secured - see note 14)	247,116	24,970
Payments received on account	13,165	31,592
Trade creditors	369,731	256,434
Amounts owed to parent undertaking (see note 15)	17,385	21,459
Taxation and social security	3,322	44,936
Corporation tax	234,294	133,000
Mortgage (secured - see note 14)	14,545	36,083
Unsecured loan stock - parent undertaking (see note 14)	42,000	42,000
Accruals and deferred income	331,241	292,081
	1,272,799	882,555

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

14 Creditors: amounts falling due after more than one year

	2000 £	1999 £
Mortgages - ultimate parent undertaking	170,272	388,470
Unsecured loan stock - parent undertaking	588,000	630,000
Amount due to parent undertaking	-	17,385
Obligations under finance lease and hire purchase contracts	12,577	3,863
	<u>770,849</u>	<u>1,039,718</u>

Maturity of debt:

	Finance Leases		Other debt		Total	
	2000 £	1999 £	2000 £	1999 £	2000 £	1999 £
In one year or less, or on demand	14,545	36,083	306,501	88,429	321,046	124,512
In more than one year but not more than two years	11,585	21,248	94,230	69,294	105,815	90,542
In more than two years but not more than five years	992	-	244,042	487,176	245,034	487,176
In more than five years	-	-	420,000	462,000	420,000	462,000
	<u>27,122</u>	<u>57,331</u>	<u>1,064,773</u>	<u>1,106,899</u>	<u>1,091,895</u>	<u>1,164,230</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	2000 £	1999 £
Unsecured loan stock - parent undertaking	<u>420,000</u>	<u>462,000</u>

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

14 Creditors: amounts falling due after more than one year (*Continued*)

(i) The mortgage on Unit 6, Perrywood Business Park, is secured by a legal charge over that freehold property. The mortgage is repayable by quarterly installments for a further period of 5 years and bears interest at 9% per annum. The liability at the year end was £417,388 (1999: £413,446), of which £247,116 (1999 - £24,970) is repayable within one year and is included within creditors falling due within one year.

(ii) The loan stock is unsecured, attracts interest at 3% per annum, and is payable by equal annual installments commencing 1 January 1997. The redemption date is 2016.

15 Provision for liabilities and charges

Deferred taxation

	2000 £	1999 £
The amount of deferred tax unprovided for is as follows:		
Accelerated capital allowances	38,516	40,000
Sundry timing differences	(3,450)	6,300
	<u>35,066</u>	<u>46,300</u>

16 Share capital

	2000 £	1999 £	Authorised 2000 £	Allotted, called up and fully paid 1999 £
<i>Equity share capital</i>				
Ordinary shares of £1 each	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>	<u>18,000</u>

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

17 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2000	558,000	1,405,995
Profit for the year	-	467,453
At 31 December 2000	558,000	1,873,448

18 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the year	467,453	241,689
Opening shareholders' funds	1,981,995	1,740,306
Closing shareholders' funds	2,449,448	1,981,995

19 Reconciliation of operating profit before exceptional items to net cash inflow from operating activities

	2000 £	1999 £
Operating profit	721,322	392,112
Amortisation of intangible fixed assets	38,813	40,000
Depreciation of tangible fixed assets	120,822	126,416
Profit on sale of tangible fixed assets	(5,373)	-
Write off of investment	9,021	19,130
Increase in stocks	(98,589)	(13,310)
(Increase)/decrease in debtors	(188,567)	6,777
Increase in creditors	92,416	13,302
Exchange movements	30,773	9,610
Net cash inflow from operating activities	720,638	594,037

Hounsfield Test Equipment LimitedNotes forming part of the financial statements for the year ended 31 December 2000 *(Continued)***20 Analysis of cash flows for headings netted in the cash flow statement**

	2000 £	1999 £
Returns on investment and servicing of finance		
Interest received	49,120	25,742
Interest paid: other	(59,328)	(64,394)
Interest paid: finance leases	(6,250)	(7,471)
	<u>(16,458)</u>	<u>(46,123)</u>
Taxation		
Corporation tax paid	<u>(136,117)</u>	<u>(54,438)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(137,652)	(55,581)
Receipts from sale of tangible fixed assets	24,714	-
	<u>(112,938)</u>	<u>(55,581)</u>
Management of liquid resources		
Treasury deposit	<u>(250,000)</u>	<u>(400,000)</u>
Financing		
Debt due within 1 year: Decrease in short term borrowings	(90,284)	(83,641)
Capital element of finance lease repaid	(45,724)	(50,264)
	<u>(136,008)</u>	<u>(133,905)</u>

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

21 Reconciliation of net cash flow to movement in net debt

	2000 £	1999 £
Increase / (decrease) in cash	69,117	(96,010)
Cash outflow from management of liquid resources	250,000	400,000
Cash outflow from changes in debt	136,008	133,905
Movement in net debt resulting from cash flows	455,125	437,895
Inception of finance leases	(32,900)	-
Translation Differences	(30,773)	(9,610)
Movement in net debt	391,452	428,285
Opening net debt	(429,067)	(857,352)
Closing net debt	(37,615)	(429,067)

22 Analysis of net debt

	At 31 December 1999 £	Cash flow £	Other non cash items £	Exchange adjustments £	At 31 December 2000 £
Cash	35,163	69,117	-	-	104,280
Liquid resources	700,000	250,000	-	-	950,000
Cash at bank and in hand	735,163	319,117	-	-	1,054,280
Debt due within one year	(88,429)	90,284	(277,583)	(30,773)	(306,501)
Debt due after one year	(1,035,855)	-	277,583	-	(758,272)
Finance leases	(39,946)	45,724	(32,900)	-	(27,122)
		136,008			
Total	306,096	455,125	(32,900)	(30,773)	1,016,665

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (Continued)

23 Major Non-Cash Transactions

During the year the company entered into finance lease arrangements in respect of assets with a total at the inception of the lease of £32,900.

24 Pensions

Until June 1997 the company operated a defined contribution pension scheme. The assets of the scheme were held separately from those of the company in an independently administered fund. The pension cost charge includes contributions payable by the company to this fund. The company currently contributes to a group personal pension plan

The assets of the plan are held separately from those of the company in an independently administered fund. The pension cost charge also includes contributions payable by the company to this fund.

25 Ultimate parent company

At the 31 December 2000, the company's ultimate parent undertaking was Tinius Olsen Testing Machine Co Inc, a company incorporated in the United States of America.

At the 31 December 2000 the company's immediate parent undertaking was Tinius Olsen International Co, a company incorporated in the United States of America.

26 Related party disclosures

Related party transactions and balances

During the year ended 31 December 2000, the company made sales of £895,732 (1999 - £692,254) to Tinius Olsen Testing Machine Co. Inc. at arms length. Trade debtors include £260,019 (1999 - £109,938) due from Tinius Olsen Testing Machine Co. Inc.

The company also made purchases of £17,218 (1999 - £21,130) from its parent company during the year. Trade creditors include £4,117 (1999 - £6,166) due to the parent company.

Details of the company's indebtedness to its parent and ultimate parent undertakings are set out in note 14. The related interest charges are disclosed in note 6.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2000 (*Continued*)

27 Commitments under operating leases

As at 31 December 2000, the company had annual commitments under non-cancellable operating leases as set out below:

	2000 Other £	1999 Other £
Operating leases which expire:		
Within one year	31,091	8,767
In two to five years	5,366	10,913
After five years	1,197	5,972
	37,654	25,652