REGISTRAR'S COPY

COMPANY NUMBER 998521

Hounsfield Test Equipment Limited

Report and Abbreviated Financial Statements

Year Ended

31 December 2001



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BDO

BDO Stoy Hayward
Chartered Accountants

Hounsfield Test Equipment Limited

Annual report and financial statements for the year ended 31 December 2001

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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)
C R Tait III (American)

Secretary and registered office

P M O Woolford, 6 Perrywood Business Park, Honeycrock 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 2001

The directors present their report together with the audited financial statements for the year ended 31 December 2001.

Results and dividends

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

The directors do not recommend 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.

During the year the company made significant further investment in its core business enabling it to achieve record turnover and with its focus on innovation placing the company in a commanding position for the future.

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
M J Wheeler
P M O Woolford
J A Millane
C R Tait Jnr
J P Loftus

No director had any beneficial interest in the ordinary share capital of the company.

C R Tait III was appointed a director of the company on 21 January 2002.

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 judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

24 April 2002

Independent auditors' report to Hounsfield Test Equipment Limited under section 247B of the Companies Act 1985

We have examined the abbreviated financial statements on pages 4 to 22 together with the financial statements of the company for the year ended 31 December 2001 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 4 to 22 are properly prepared in accordance with that provision.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

24 April 2002

Hounsfield Test Equipment Limited

Profit and loss account for the year ended 31 December 2001

	Note	2001	2000 As restated
		£	£
Gross profit		**3,025,400**	2,897,505
Distribution costs		**622,614**	492,543
Administrative expenses		**1,895,422**	1,706,645
		507,364	698,317
Other operating income		**5,750**	23,005
Operating profit	4	**513,114**	721,322
Other interest receivable and similar income	5	**39,736**	49,120
Interest payable and similar charges	6	**(42,216)**	(65,578)
Profit on ordinary activities before taxation		**510,634**	704,864
Taxation on profit on ordinary activities	7	**157,755**	229,954
Profit on ordinary activities after taxation for the year		**352,879**	474,910

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 7 to 22 form part of these financial statements.

Hounsfield Test Equipment Limited

Balance sheet at 31 December 2001

	Note	2001 £	2001 £	2000 As restated £	2000 As restated £
Fixed assets					
Tangible assets	8		**1,420,160**		1,457,732
Fixed asset investments	9		**15,095**		15,095
			1,435,255		1,472,827
Current assets					
Stocks	10	**885,628**		836,292	
Debtors	11	**1,080,442**		1,129,697	
Cash at bank and in hand		**919,065**		1,054,280	
		2,885,135		3,020,269	
Creditors: amounts falling due within one year	12	**862,132**		1,272,799	
Net current assets			**2,023,003**		1,747,470
Total assets less current liabilities			**3,458,258**		3,220,297
Creditors: amounts falling due after more than one year	13	**667,826**		770,849	
Provision for liabilities and charges	14	**26,948**		38,843	
			694,774		809,692
			2,763,484		2,410,605
Capital and reserves					
Called up share capital	15		**18,000**		18,000
Share premium account	16		**558,000**		558,000
Profit and loss account	16		**2,187,484**		1,834,605
Equity shareholders' funds			**2,763,484**		2,410,605

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 24 April 2002.

M R C Hounsfield
Director

The notes on pages 7 to 22 form part of these financial statements.

Hounsfield Test Equipment Limited

Cash flow statement for the year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	18	**636,187**	720,638
Returns on investment and servicing of finance	19	**(2,480)**	(16,458)
Taxation	19	**(316,078)**	(136,117)
Capital expenditure and financial investment	19	**(117,634)**	(112,938)
Cash inflow before use of liquid resources and financing		**199,995**	455,125
Management of liquid resources	19	**300,000**	(250,000)
Financing	19	**(335,210)**	(136,008)
Increase in cash	20	**164,785**	69,117

The notes on pages 7 to 22 form part of these financial statements.

1 Accounting policies

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

Prior year adjustment

In preparing these financial statements the company has adopted Financial Reporting Standard 19, Deferred Tax, for the first time, which has led to a deferred tax credit in the year of £11,895.

The adoption of this standard has also resulted in the restatement of the comparative results and financial position for the year ended 31 December 2000, by decreasing the tax charge for that year by £7,457, recognising a deferred tax liability £38,843 and decreasing the profit and loss reserve at 1 January 2000 by £46,300. The profit and loss reserve at 1 January 2001 has consequently decreased by £38,843.

Previously deferred tax was only provided on timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it was probable that a liability would crystallise.

Turnover

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

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all 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 a 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.

Deferred taxation

Deferred taxation is provided in full in respect of all material timing differences.

1 Accounting policies *(continued)*

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.

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.

Pensions

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

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

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:

	2001 £	2000 £
Wages and salaries	**1,645,704**	1,393,716
Social security costs	**164,015**	138,633
Other pension costs	**103,997**	92,360
	1,913,716	1,624,709

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

	2001 Number	2000 Number
Office and management	**12**	9
Manufacturing	**23**	21
Sales and design	**23**	20
	58	50

3 Directors' remuneration

	2001 £	2000 £
Remuneration as executives	**280,582**	243,473
Company contributions to money purchase pension schemes	**30,263**	26,387

There were 4 directors in the company's defined contribution pension scheme during the year (2000 - 4).

The total amount payable to the highest paid director in respect of emoluments was £86,820 (2000 - £72,656). Company pension contributions of £9,563 (2000 - £8,000) were made to a money purchase scheme on his behalf.

A pension of £15,000 (2000: £15,000) was paid to a former director.

4 Operating profit

		2001 £	2000 £
This is arrived at after charging/(crediting):			
Research and development	- current year's expenditure	**146,199**	151,979
	- amortisation of capitalised expenditure	**-**	38,813
Depreciation of tangible fixed assets		**156,586**	120,822
Operating lease rentals		**41,831**	51,366
Audit services		**13,500**	12,500
Exchange loss on long term mortgage		**6,904**	30,773
Profit on sale of fixed assets		**(1,380)**	(5,373)

5 Other interest receivable and similar income

	2001 £	2000 £
Bank deposits	**39,736**	49,120

6 Interest payable and similar charges

	2001 £	2000 £
Other loans (see note 13)	**18,900**	20,160
Mortgage interest (see note 13)	**20,530**	39,168
Finance leases	**2,786**	6,250
	42,216	65,578

7 Taxation on profit on ordinary activities

	2001	2001	2000 As restated	2000 As restated
	£	£	£	£
Current tax				
UK corporation tax on profits of the year	172,716		237,411	
Adjustment in respect of previous periods	(3,066)		-	
Total current tax		169,650		237,411
Deferred tax				
Origination and reversal of timing differences		(11,895)		(7,457)
Taxation on profit on ordinary activities		157,755		229,954

The company has adopted Financial Reporting Standard 19, Deferred Tax, for the first time, which has led to a deferred tax credit in the year of £11,895. The adoption of this standard has also resulted in the restatement of the comparative results and financial position for the year ended 31 December 2000, by decreasing the tax charge for that year by £7,457, recognising a deferred tax liability £38,843 and decreasing the profit and loss reserve at 1 January 2000 by £46,300. The profit and loss reserve at 1 January 2001 has consequently decreased by £38,843.

7 Taxation on profit on ordinary activities *continued*

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2001	2000 As restated
	£	£
Profit on ordinary activities before tax	**510,634**	704,864
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2000 - 30%)	**153,190**	211,459
Effect of:		
Expenses not deductible for tax purposes	**7,631**	18,495
Capital allowances for period in excess of depreciation	**11,895**	7,457
Adjustment to tax charge in respect of previous periods	**(3,066)**	-
Current tax charge for period	**169,650**	237,411

8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost					
At 1 January 2001	1,356,160	398,552	148,618	374,463	2,277,793
Additions	-	4,126	66,441	85,517	156,084
Disposals	-	-	(73,895)	-	(73,895)
At 31 December 2001	**1,356,160**	**402,678**	**141,164**	**459,980**	**2,359,982**
Depreciation					
At 1 January 2001	196,773	264,364	54,356	304,568	820,061
Provided for the year	33,284	35,705	26,215	61,382	156,586
Disposals	-	-	(36,825)	-	(36,825)
At 31 December 2001	**230,057**	**300,069**	**43,746**	**365,950**	**939,822**
Net book value					
At 31 December 2001	**1,126,103**	**102,609**	**97,418**	**94,030**	**1,420,160**
At 31 December 2000	1,159,387	134,188	94,262	69,895	1,457,732

The net book value of tangible fixed assets includes an amount of £nil (2000 - £40,895) in respect of assets held under finance leases. The related depreciation charge on these assets for the year was £nil (2000 - £21,831).

9 Fixed asset investments

	Unlisted £	Listed investments £	Total £
Cost			
At 1 January 2001	60,209	1,802	62,011
Disposals	(46,916)	-	(46,916)
At 31 December 2001	**13,293**	**1,802**	**15,095**
Provisions			
At 1 January 2001	46,916	-	46,916
Disposals	(46,916)	-	(46,916)
At 31 December 2001	-	-	-
Net book value			
At 31 December 2000 and 31 December 2001	**13,293**	**1,802**	**15,095**

	2001 £	2000 £
Listed investments:		
Market value	**3,363**	4,306

On 1 January 2001 the company's direct involvement in Shanghai Hounsfield Test Equipment Co Limited ceased. As a result 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.

10 Stocks

	2001 £	2000 £
Raw materials and consumables	**26,309**	20,318
Work in progress	**714,387**	722,607
Finished goods and goods for resale	**144,932**	93,367
	885,628	836,292

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

11 Debtors

	2001 £	2000 £
Trade debtors	**966,911**	1,016,942
Other debtors	**49,375**	55,281
Prepayments and accrued income	**64,156**	57,474
	1,080,442	1,129,697

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

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Mortgage (secured - see note 13)	**53,763**	247,116
Payments received on account	**29,365**	13,165
Trade creditors	**276,409**	369,731
Amounts owed to parent undertaking(see note 13)	**-**	17,385
Taxation and social security	**6,827**	3,322
Corporation tax	**87,866**	234,294
Obligations under finance lease and hire purchase contracts	**-**	14,545
Unsecured loan stock - parent undertaking (see note 13)	**42,000**	42,000
Accruals and deferred income	**365,902**	331,241
	862,132	1,272,799

13 Creditors: amounts falling due after more than one year

	2001 £	2000 £
Mortgage - ultimate parent undertaking	**121,826**	170,272
Unsecured loan stock - parent undertaking	**546,000**	588,000
Obligations under finance lease and hire purchase contracts	-	12,577
	667,826	770,849

Maturity of debt:

	Finance leases 2001 £	Finance leases 2000 £	Other debt 2001 £	Other debt 2000 £	Total 2001 £	Total 2000 £
In one year or less, or on demand	-	14,545	**95,763**	306,501	**95,763**	321,046
In more than one year but not more than two years	-	11,585	**100,768**	94,230	**100,768**	105,815
In more than two years but not more than five years	-	992	**189,058**	244,042	**189,058**	245,034
In more than five years	-	-	**378,000**	420,000	**378,000**	420,000
	-	12,577	**667,826**	758,272	**667,826**	770,849

(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 £175,589 (2000: £417,338), of which £53,763 (2000 - £247,116) 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.

14 Provision for liabilities and charges

	Deferred taxation £
At 1 January 2001	-
Prior year adjustment	38,843
At 1 January 2001 restated	(38,843)
Charged to profit and loss account	(11,895)
At 31 December 2001	**26,948**

Deferred taxation

The amount of deferred tax provided for is as follows:	2001 £	Provided 2000 £
Accelerated capital allowances	**36,648**	44,043
Sundry timing differences	**(9,700)**	(5,200)
	26,948	38,843

15 Share capital

	Authorised 2001 £	Authorised 2000 £	Allotted, called up and fully paid 2001 £	Allotted, called up and fully paid 2000 £
Equity share capital				
Ordinary shares of £1 each	**18,000**	18,000	**18,000**	18,000

16 Reserves

	Share premium account £	Profit and loss account £
At 1 January 2001	558,000	1,873,448
Prior year adjustment	-	(38,843)
At 1 January 2001 (as restated)	**558,000**	**1,834,605**
Profit for the year	-	352,879
At 31 December 2001	**558,000**	**2,187,484**

17 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the year	**352,879**	474,910
Opening shareholders' funds as previously stated	**2,449,448**	1,981,995
Prior year adjustments	**(38,843)**	(46,300)
Opening shareholders' funds restated	**2,410,605**	1,935,695
Closing shareholders' funds	**2,763,484**	2,410,605

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

	2001 £	2000 £
Operating profit	**513,114**	721,322
Amortisation of intangible fixed assets	**-**	38,813
Depreciation of tangible fixed assets	**156,586**	120,822
Profit on sale of tangible fixed assets	**(1,380)**	(5,373)
Write off of investment	**-**	9,021
Increase in stocks	**(49,336)**	(98,589)
Decrease/(increase) in debtors	**49,255**	(188,567)
Decrease/(increase) in creditors	**(38,956)**	92,416
Exchange movements	**6,904**	30,773
Net cash inflow from operating activities	**636,187**	720,638

19 Analysis of cash flows for headings netted in the cash flow statement

	2001 £	2000 £
Returns on investment and servicing of finance		
Interest received	**39,736**	49,120
Interest paid: other	**(39,430)**	(59,328)
Interest paid: finance leases	**(2,786)**	(6,250)
	(2,480)	(16,458)
Taxation		
Corporation tax paid	**(316,078)**	(136,117)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(156,084)**	(137,652)
Receipts from sale of tangible fixed assets	**38,450**	24,714
	(117,634)	(112,938)
Management of liquid resources		
Treasury deposit	**300,000**	(250,000)
Financing		
Debt due within 1 year: Decrease in short term borrowings	**(308,088)**	(90,284)
Capital element of finance lease repaid	**(27,122)**	(45,724)
	(335,210)	(136,008)

20 Reconciliation of net cash flow to movement in net debt

	2001 £	2000 £
Increase / (decrease) in cash	**164,785**	69,117
Cash outflow from management of liquid resources	**(300,000)**	250,000
Cash outflow from changes in debt	**335,210**	136,008
Movement in net debt resulting from cash flows	**199,995**	455,125
Inception of finance leases	**-**	(32,900)
Translation Differences	**(6,904)**	(30,773)
Movement in net debt	**193,091**	391,452
Opening net debt	**(37,615)**	(429,067)
Closing net funds/(debt)	**155,476**	(37,615)

21 Analysis of net debt

	At 31 December 2000 £	Cash flow £	Other non cash items £	Exchange adjustments £	At 31 December 2001 £
Cash	104,280	164,785	-	-	269,065
Liquid resources	950,000	(300,000)	-	-	650,000
Cash at bank and in hand	1,054,280	(135,215)	-	-	919,065
Debt due within one year	(306,501)	308,088	(90,446)	(6,904)	(95,763)
Debt due after one year	(758,272)	-	90,446	-	(667,826)
Finance leases	(27,122)	27,122	-	-	-
		335,210			
Total	(37,615)	199,995	-	(6,904)	155,476

22 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 independantly 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.

23 Ultimate parent company and parent undertaking of larger group

At the 31 December 2001, the company's ultimate parent undertaking was Tinius Olsen Testing Machine Co Inc, a company incorporated in the United States of America.

24 Related party disclosures

Related party transactions and balances

During the year ended 31 December 2001, the company made sales of £704,413 (2000 - £895,732) to Tinius Olsen Testing Machine Co. Inc. at arms length. Trade debtors include £73,278 (2000 - £260,019) due from Tinius Olsen Testing Machine Co. Inc.

The company also made purchases of £6,313 (2000 - £17,218) from its parent company during the year. Trade creditors include £15,626 (2000 - £4,117) 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 also disclosed in note 7.

25 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	2001 Other £	2000 Other £
Operating leases which expire:		
Within one year	**27,666**	31,091
In two to five years	**13,796**	5,366
After five years	**2,347**	1,197
	43,809	37,654