

REGISTRAR'S COPY

COMPANY NUMBER 998521

Hounsfield Test Equipment Limited

Abbreviated Financial Statements

Year Ended

31 December 2002

BDO

BDO Stoy Hayward
Chartered Accountants



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Hounsfield Test Equipment Limited

Abbreviated financial statements for the year ended 31 December 2002

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Directors

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

Secretary and registered office

P M O Woolford, 6 Perrywood Business Park, Honeycock 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 2002

The directors present their report together with the audited financial statements for the year ended 31 December 2002.

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.

In the year 2002 the company consolidated its market position by further substantial new investment enabling it to strengthen margins in a difficult export environment.

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 (Chairman)

J C Ivory (Managing Director)

P M O Woolford

M J Wheeler

J P Loftus (American)

J A Millane (American)

C R Tait (American) (Appointed 21 January 2002)

C R Tait III (American)

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

D G Wheeler was appointed a director of the company on 20 January 2003.

Hounsfield Test Equipment Limited

Report of the directors for the year ended 31 December 2002 (*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 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.

By order of the board



P M O Woolford

Secretary

28 March 2003

Hounsfield Test Equipment Limited

Report of the independent auditors

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 21 together with the financial statements of the company for the year ended 31 December 2002 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 21 are properly prepared in accordance with that provision.

BDO STOY HAYWARD
*Chartered Accountants
and Registered Auditors*
London

28 March 2003

Hounsfield Test Equipment Limited**Profit and loss account for the year ended 31 December 2002**

	Note	2002 £	2001 £
Gross profit		2,843,010	3,031,150
Distribution costs		634,378	622,614
Administrative expenses		1,950,512	1,895,422
Operating profit	5	258,120	513,114
Other interest receivable and similar income		26,982	39,736
Interest payable and similar charges	6	(31,216)	(42,216)
Profit on ordinary activities before taxation		253,886	510,634
Taxation on profit on ordinary activities	7	77,613	157,755
Profit on ordinary activities after taxation		176,273	352,879

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.

The notes on pages 8 to 21 form part of these financial statements.

Hounsfield Test Equipment Limited

Balance sheet at 31 December 2002

	Note	2002	2002	2001	2001
		£	£	£	£
Fixed assets					
Tangible assets	8		1,382,319		1,420,160
Fixed asset investments	9		15,095		15,095
			<u>1,397,414</u>		<u>1,435,255</u>
Current assets					
Stocks	10	740,080		885,628	
Debtors	11	1,037,290		1,080,442	
Cash at bank and in hand		1,170,266		919,065	
		<u>2,947,636</u>		<u>2,885,135</u>	
Creditors: amounts falling due within one year	12	823,555		862,132	
Net current assets			<u>2,124,081</u>		<u>2,023,003</u>
Total assets less current liabilities			<u>3,521,495</u>		<u>3,458,258</u>
Creditors: amounts falling due after more than one year	13	565,334		667,826	
Provision for liabilities and charges	14	16,404		26,948	
		<u>581,738</u>		<u>694,774</u>	
			<u>2,939,757</u>		<u>2,763,484</u>
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		2,363,757		2,187,484
Equity shareholders' funds			<u>2,939,757</u>		<u>2,763,484</u>

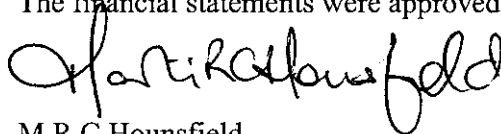
These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The notes on pages 8 to 21 form part of these financial statements.

Hounsfield Test Equipment Limited

Balance sheet at 31 December 2002 (*Continued*)

The financial statements were approved by the Board on 28 March 2003.

A handwritten signature in black ink, appearing to read 'M R C Hounsfield', is written over the printed name.

M R C Hounsfield
Director

The notes on pages 8 to 21 form part of these financial statements.

Hounsfield Test Equipment Limited**Cash flow statement for the year ended 31 December 2002**

	Note	2002 £	2001 £
Net cash inflow from operating activities	18	559,987	636,187
Returns on investments and servicing of finance	19	(4,234)	(2,480)
Taxation	19	(89,133)	(316,078)
Capital expenditure and financial investment	19	(121,373)	(117,634)
Cash inflow before use of liquid resources and financing		<u>345,247</u>	<u>199,995</u>
Management of liquid resources	19	(375,000)	300,000
Financing	19	(94,046)	(335,210)
(Decrease)/increase in cash	20	<u>(123,799)</u>	<u>164,785</u>

The notes on pages 8 to 21 form part of these financial statements.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 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 principal accounting policies have been applied:

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

Valuation of investments

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

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.

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.

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 2002 (*Continued*)

1 Accounting policies (*continued*)

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:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

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

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

Turnover is wholly attributable to the principal activity of the company.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

3 Employees

Staff costs (including directors) consist of:

	2002 £	2001 £
Wages and salaries	1,725,904	1,645,704
Social security costs	174,527	164,015
Other pension costs	114,262	103,997
	<u>2,014,693</u>	<u>1,913,716</u>

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

	2002 Number	2001 Number
Office and management	13	12
Manufacturing	23	23
Sales and design	25	23
	<u>61</u>	<u>58</u>

4 Directors' remuneration

	2002 £	2001 £
Remuneration as executives	268,588	280,582
Company contributions to money purchase pension schemes	33,456	30,263
	<u>302,044</u>	<u>310,845</u>

There were 4 directors in the company's defined contribution pension scheme during the year (2001 - 4).

The total amount payable to the highest paid director in respect of emoluments was £83,207 (2001 - £86,260). Company pension contributions of £10,500 (2001 - £9,563) were made to a money purchase scheme on their behalf.

A pension of £15,000 (2001: £15,000) was paid to a former director.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

5 Operating profit

	2002 £	2001 £
This is arrived at after charging/(crediting):		
Research and development - current year's expenditure	229,005	146,199
Depreciation of tangible fixed assets	159,904	156,586
Hire of other assets - operating leases	40,781	41,831
Audit services	15,000	13,500
Exchange (profit) / loss on long term mortgage	(12,057)	6,904
Profit on sale of fixed assets	(690)	(1,380)

6 Interest payable and similar charges

	2002 £	2001 £
Other loans (see note 13)	17,675	18,900
Mortgage interest (see note 13)	13,541	20,530
Finance leases	-	2,786
	31,216	42,216

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

7 Taxation on profit on ordinary activities

	2002 £	2001 £
<i>UK Corporation tax</i>		
Current tax on profits of the year	86,890	172,716
Adjustment in respect of previous years	1,267	(3,066)
Total current tax	88,157	169,650
<i>Deferred tax</i>		
Origination and reversal of timing differences	(10,544)	(11,895)
Taxation on profit on ordinary activities	77,613	157,755

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

	2002 £	2001 £
Profit on ordinary activities before tax	253,886	510,634
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2001 - 30%)	76,166	153,190
Effect of:		
Expenses not deductible for tax purposes	5,371	7,631
Capital allowances for period in excess of depreciation	10,544	11,895
Adjustment to tax charge in respect of previous years	1,267	(3,066)
Marginal relief	(5,191)	-
Current tax charge for year	88,157	169,650

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

8 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>					
At 1 January 2002	1,356,160	402,678	141,164	459,980	2,359,982
Additions	-	-	60,000	67,623	127,623
Disposals	-	-	(17,572)	-	(17,572)
At 31 December 2002	1,356,160	402,678	183,592	527,603	2,470,033
<i>Depreciation</i>					
At 1 January 2002	230,057	300,069	43,746	365,950	939,822
Provided for the year	19,949	35,546	42,526	61,883	159,904
Disposals	-	-	(12,012)	-	(12,012)
At 31 December 2002	250,006	335,615	74,260	427,833	1,087,714
<i>Net book value</i>					
At 31 December 2002	1,106,154	67,063	109,332	99,770	1,382,319
At 31 December 2001	1,126,103	102,609	97,418	94,030	1,420,160

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

9 Fixed asset investments

	Unlisted £	Listed investments £	Total £
<i>Cost</i>			
At 1 January 2002 and 31 December 2002	13,293	1,802	15,095
<i>Net book value</i>			
At 31 December 2001 and 31 December 2002	13,293	1,802	15,095
		2002 £	2001 £
Listed investments:			
Market value		1,763	3,363

10 Stocks

	2002 £	2001 £
Raw materials and consumables	22,580	26,309
Work in progress	564,414	714,387
Finished goods and goods for resale	153,086	144,932
	740,080	885,628

There is no material difference between the replacement cost of stocks and the amounts stated above.

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 2002 (*Continued*)

11 Debtors

	2002 £	2001 £
Trade debtors	919,887	966,911
Other debtors	76,650	49,375
Prepayments and accrued income	40,753	64,156
	1,037,290	1,080,442

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

12 Creditors: amounts falling due within one year

	2002 £	2001 £
Mortgage (secured - see note 13)	50,152	53,763
Unsecured loan stock - parent undertaking (see note 13)	42,000	42,000
Payments received on account	22,210	29,365
Trade creditors	316,589	276,409
Corporation tax	86,890	87,866
Other taxation and social security	9,541	6,827
Accruals and deferred income	296,173	365,902
	823,555	862,132

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

13 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Mortgage - parent undertaking	61,334	121,826
Unsecured loan stock - parent undertaking	504,000	546,000
	<u>565,334</u>	<u>667,826</u>
Maturity of debt:		
	Other debt 2002 £	Other debt 2001 £
In one year or less, or on demand	92,152	95,763
In more than one year but not more than two years	103,334	100,768
In more than two years but not more than five years	126,000	189,058
In more than five years	336,000	378,000
	<u>565,334</u>	<u>667,826</u>

(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 £111,486 (2001: £175,589), of which £50,152 (2001 - £53,763) 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.

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (*Continued*)

14 Provision for liabilities and charges

	Deferred taxation £	
At 1 January 2002	26,948	
Charged from profit and loss account	(10,544)	
At 31 December 2002	16,404	
<i>Deferred taxation</i>		
	2002 £	2001 £
Accelerated capital allowances	26,104	36,648
Sundry timing differences	(9,700)	(9,700)
	16,404	26,948

15 Share capital

	2002 £	Authorised 2001 £	Allotted, called up and fully paid 2002 £	2001 £
<i>Equity share capital</i>				
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 2002	558,000	2,187,484
Profit for the year	-	176,273
At 31 December 2002	558,000	2,363,757

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

17 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the year	176,273	352,879
Opening shareholders' funds	2,763,484	2,449,448
Prior year adjustment	-	(38,843)
Opening shareholders' funds as restated	2,763,484	2,410,605
Closing shareholders' funds	2,939,757	2,763,484

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

	2002 £	2001 £
Operating profit before exceptional items	258,120	513,114
Depreciation of tangible fixed assets	159,904	156,586
Profit on sale of tangible fixed assets	(690)	(1,380)
Decrease/(increase) in stocks	145,548	(49,336)
Decrease in debtors	43,152	49,255
Decrease in creditors	(33,990)	(38,956)
Exchange movements	(12,057)	6,904
Net cash inflow from operating activities	559,987	636,187

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 *(Continued)*

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

	2002 £	2001 £
Returns on investment and servicing of finance		
Interest received	26,982	39,736
Interest paid: other	(31,216)	(39,430)
Interest paid: finance leases	-	(2,786)
	<u>(4,234)</u>	<u>(2,480)</u>
Taxation		
Corporation tax paid	<u>(89,133)</u>	<u>(316,078)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(127,623)	(156,084)
Receipts from sale of tangible fixed assets	6,250	38,450
	<u>(121,373)</u>	<u>(117,634)</u>
Management of liquid resources		
Treasury deposit	<u>(375,000)</u>	<u>300,000</u>
Financing		
Debt due within 1 year: Decrease in short term borrowings	(94,046)	(308,088)
Capital element of finance lease repaid	-	(27,122)
	<u>(94,046)</u>	<u>(335,210)</u>

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

20 Reconciliation of net cash flow to movement in net funds

	2002 £	2001 £
Increase / (decrease) in cash	(123,799)	164,785
Cash outflow from management of liquid resources	375,000	(300,000)
Cash outflow from changes in debt	94,046	335,210
Movement in net funds resulting from cash flows	345,247	199,995
Translation Differences	12,057	(6,904)
Movement in net funds	357,304	193,091
Opening net funds/(debt)	155,476	(37,615)
Closing net funds	512,780	155,476

21 Analysis of net funds

	At 1 January 2002 £	Cash flow £	Other non- cash items £	Exchange adjustments £	At 31 December 2002 £
Cash	269,065	(123,799)	-	-	145,266
Liquid resources	650,000	375,000	-	-	1,025,000
Cash at bank and in hand	919,065	251,201			1,170,266
Debt due within one year	(95,763)	83,706	(92,152)	12,057	(92,152)
Debt due after one year	(667,826)	10,340	92,152	-	(565,334)
		94,046			
Total	155,476	345,247	-	12,057	512,780

Hounsfield Test Equipment Limited

Notes forming part of the financial statements for the year ended 31 December 2002 (Continued)

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 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.

23 Ultimate parent company and parent undertaking of larger group

At the 31 December 2002, 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 2002, the company made sales of £658,141 (2001 - £704,413) to Tinius Olsen Testing Machine Co. Inc. at arms length. Trade debtors include £115,489 (2001 - £73,278) due from Tinius Olsen Testing Machine Co. Inc.

The company also made purchases of £27,741 (2001 - £6,613) from its parent company during the year. Trade creditors include £39,919 (2000 - £15,626) due to the parent company.

Details of the company's indebtedness to its parent and ultimate parent undertakings are set out in note 13. The related interest charges are also disclosed in note 6.

25 Commitments under operating leases

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

	2002	2001
	Other £	Other £
Operating leases which expire:		
Within one year	28,222	27,666
In two to five years	18,323	13,796
After five years	-	2,347
	46,545	43,809