

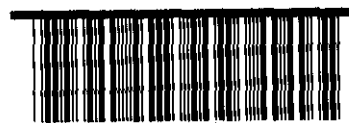
TEXCEL TECHNOLOGY PLC

COMPANY No. 2607732

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 JANUARY 2003



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Texcel Technology Plc

Company Information

Directors

W.H. Bryce
P.J. Shawyer
S.A. Suckling
G.J. Tilsed
A.N. McLeod
D.K. Browne
P. Hobbs

Secretary

S.A. Suckling

Registered Office

Thames Road
Crayford
Kent
DA1 4SB

Business Address

Thames Road
Crayford
Kent
DA1 4SB

Bankers

HSBC Bank plc
9 The Boulevard
Crawley
West Sussex
RH10 1UT

Solicitors

James & Charles Dodd
18 Tranquil Drive
Blackheath
London

Auditors

Kingston Smith
Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Texcel Technology Plc

Report of the Directors

The directors have pleasure in presenting their report and financial statements for the year ended 31 January 2003.

Principal activities and review of the business

The principal activity of the company throughout the year was that of design, manufacture and repair of electronic instruments and equipment.

The company has responded to difficult trading conditions by reducing its cost base and focusing upon offering a high quality service to its customers. The company has continued to expand the quantity and range of customers, providing a wide and diverse customer base that we believe is well placed to provide growth for the future.

Results and dividends

The results for the year are set out on page 4.

Directors' interests

The directors who served the company during the year together with their interests (including family interests) in the shares of the company at the beginning (or subsequent date of appointment) and end of the year, were as follows:

	Ordinary Shares of 10p each	
	31 January 2003	1 February 2002
W.H. Bryce	450,000	450,000
P.J. Shawyer	200,000	200,000
S.A. Suckling	60,000	60,000
G.J. Tilsed	30,000	30,000
A.N. McLeod	60,000	60,000
D.K. Browne	30,000	30,000
P. Hobbs	20,000	20,000

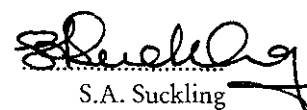
Creditor payment policy

It is the Company's policy to agree terms of transactions, including payment terms with suppliers and provided suppliers perform in accordance with the agreed terms, it is the Company's normal practice that payment is made accordingly. The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year end as a proportion of the amounts invoiced by the suppliers during the year, was 47 days (2002: 96 days).

Auditors

Kingston Smith have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed they be re-appointed auditors to the company for the ensuing year.

On behalf of the Board


S.A. Suckling
Director

Thames Road
Crayford
Kent
DA1 4SB

Date: 18-6-03

Texcel Technology Plc

Directors' Responsibilities & Report of the Auditors

Statement of 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; prepare the financial statements on a going concern basis unless it is inappropriate to assume 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.

Independent Auditors' Report to the Shareholders of Texcel Technology Plc

We have audited the financial statements of Texcel Technology Plc on pages 4 to 18 for the year ended 31 January 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

Texcel Technology Plc
Directors' Responsibilities & Report of the Auditors (Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Kingston Smith
Kingston Smith
Chartered Accountants
and Registered Auditors

Surrey House
36-44 High Street
Redhill
Surrey
RH1 1RH

Date: 23 June 2003

Texcel Technology Plc
Profit and Loss Account
For the year ended 31 January 2003

	Notes	2003 £	2002 £
Turnover	2	3,539,214	4,695,805
Cost of sales		(2,335,481)	(3,208,260)
Gross profit		1,203,733	1,487,545
Administrative expenses		(1,149,354)	(1,613,409)
Other operating income		725	3,400
Operating profit/(loss)	3	55,104	(122,464)
Other interest receivable and similar income		1,052	26
Interest payable and similar charges	6	(52,879)	(64,889)
Profit/(Loss) on ordinary activities before taxation		3,277	(187,327)
Taxation	7	(1,740)	29,001
Profit/(Loss) on ordinary activities after taxation	15	1,537	(158,326)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than the profit for the year.

Texcel Technology Plc
Balance Sheet
As at 31 January 2003

	Notes	2003 £	£	2002 £	£
Fixed Assets					
Tangible assets	8		1,038,886		1,100,290
Current Assets					
Stocks	9	924,560		977,896	
Debtors	10	620,869		520,310	
Cash at bank and in hand		231		45	
		<u>1,545,660</u>		<u>1,498,251</u>	
Creditors: Amounts falling due within one year	11	<u>(576,812)</u>		<u>(553,248)</u>	
Net Current Assets			<u>968,848</u>		<u>945,003</u>
Total Assets Less Current Liabilities			<u>2,007,734</u>		<u>2,045,293</u>
Creditors: Amounts falling due after more than one year	12		(658,750)		(697,703)
Provisions for Liabilities and Charges	13		<u>(16,287)</u>		<u>(16,430)</u>
			<u>1,332,697</u>		<u>1,331,160</u>
Capital and Reserves					
Called up share capital	14		100,000		100,000
Share premium account	15		1,000		1,000
Revaluation reserve	15		523,112		528,822
Profit and loss account	15		<u>708,585</u>		<u>701,338</u>
Shareholders' Funds - Equity Interests	16		<u>1,332,697</u>		<u>1,331,160</u>

Approved by the Board on 18/1/03 and signed on its behalf by

.....
W. H. Bryce
Director

.....
P. J. Shawyer
Director

Texcel Technology Plc
Cash Flow Statement
For the year ended 31 January 2003

	2003		2002
	£	£	£
Net Cash Inflow from Operating Activities (Note 1)	26,568		17,566
Returns on Investments and Servicing of Finance			
Interest received	1,052		26
Interest paid	(52,879)		(64,889)
	<hr/>		<hr/>
Net Cash Outflow for Returns on Investments and Servicing of Finance	(51,827)		(64,863)
Taxation	38,153		(54,573)
Capital Expenditure			
Payments to acquire tangible assets	(1,838)		(26,239)
Receipts from sales of tangible assets	-		3,000
	<hr/>		<hr/>
Net Cash Outflow for Capital Expenditure	(1,838)		(23,239)
	<hr/>		<hr/>
Net Cash Inflow/(Outflow) before Management of Liquid Resources and Financing	11,056		(125,109)
Financing			
New long term bank loan	-		488,752
Capital element of finance lease contracts	(48,403)		(65,181)
	<hr/>		<hr/>
Net Cash (Outflow)/Inflow from Financing	(48,403)		423,571
	<hr/>		<hr/>
(Decrease)/Increase in Cash (Note 2)	(37,347)		298,462
	<hr/> <hr/>		<hr/> <hr/>

Texcel Technology Plc
Notes to the Cashflow Statement
For the year ended 31 January 2003

1	Reconciliation of Operating Profit/(Loss) to Net Cash Inflow from Operating Activities	2003	2002
		£	£
	Operating profit/(loss)	55,104	(122,464)
	Depreciation of tangible assets	63,241	71,532
	Loss on disposal of tangible assets	-	501
	Decrease in stocks	53,336	471,324
	(Increase)/decrease in debtors	(138,712)	642,980
	Decrease in creditors within one year	(6,401)	(1,046,307)
	Net Cash Inflow from Operating Activities	26,568	17,566

2	Reconciliation of Net Cash Flow to Movement in Net Debt (Note 3)	2003	2002
		£	£
	(Decrease)/increase in cash in the year	(37,347)	298,462
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	48,404	(423,571)
	Movement in net debt in the year	11,057	(125,109)
	Opening net debt	(803,382)	(678,273)
	Closing net debt	(792,325)	(803,382)

3	Analysis of Net Debt	1 February 2002	Cash flow	Other non-cash changes	31 January 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	45	186	-	231
	Bank overdrafts	(57,320)	(37,533)	-	(94,853)
		(57,275)	(37,347)	-	(94,622)
	Debt:				
	Finance leases	(66,107)	48,404	-	(17,703)
	Debts falling due within one year	-	(21,250)	-	(21,250)
	Debts falling due after one year	(680,000)	21,250	-	(658,750)
		(746,107)	48,404	-	(697,703)
	Net debt	(803,382)	11,057	-	(792,325)

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003

1 Accounting Policies

a) Accounting basis and standards

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

b) Depreciation

Depreciation on fixed assets is provided at rates estimated to write off the cost or valuation, less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	Land Nil; Buildings 2% straight line
Plant and equipment	10% straight line
Computer and office equipment	20% straight line
Motor vehicles	20% straight line

c) Stocks and work in progress

Stock and work in progress are stated at the lower of cost and net realisable value. Cost includes all direct costs incurred in bringing the stocks to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

d) Turnover

Turnover represents the invoiced value of goods and services provided net of value added tax.

e) Deferred taxation

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

f) Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. All exchange differences are dealt with in the profit and loss account.

g) Leasing and hire purchase commitments

Assets held under finance lease and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease (and represents a constant proportion of the balance of capital repayments outstanding).

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

h) Pension scheme arrangements

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

2 Turnover

Geographical analysis:

	Turnover	
	2003	2002
	£	£
United Kingdom	3,486,214	4,397,805
Rest of Europe	46,000	237,000
Rest of World	19,000	61,000
	<u>3,551,214</u>	<u>4,695,805</u>

3 Operating Profit/(Loss)

	2003	2002
	£	£
Operating profit/(loss) is stated after charging:		
Depreciation of owned tangible assets	41,137	49,427
Depreciation of assets held on hire purchase contracts	22,105	22,105
Loss on disposal of tangible assets	-	501
Loss on foreign exchange transactions	220	-
Operating lease rentals		
- Plant and machinery	10,328	43,375
- Other assets	31,287	33,384
Auditors' remuneration	7,800	7,800
and after crediting:		
Profit on foreign exchange transactions	-	(2,801)
	<u>-</u>	<u>(2,801)</u>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

4 Employee Information

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

	2003 Number	2002 Number
Production	37	57
Sales	2	2
Administration	22	30
	<u>61</u>	<u>89</u>

The total remuneration was:

	£	£
Wages and salaries	1,083,826	1,515,262
Social security costs	61,873	130,286
Other pension costs	21,460	28,419
	<u>1,167,159</u>	<u>1,673,967</u>

5 Directors' Emoluments

	2003 £	2002 £
Emoluments for qualifying services	333,676	293,669
Company pension contributions to money purchase schemes	11,682	14,266
	<u>345,358</u>	<u>307,935</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 6 (2002 - 6).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	67,207	61,128
Company pension contributions to money purchase schemes	2,268	2,871

6 Interest Payable and Similar Charges

	2003 £	2002 £
On bank loans and overdrafts	50,220	51,799
Hire purchase interest	2,659	13,090
	<u>52,879</u>	<u>64,889</u>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

7 Taxation	2003 £	2002 £
Domestic current year tax		
U.K. corporation tax	1,883	(38,153)
Adjustment for prior years	-	3,052
	<hr/>	<hr/>
Current tax charge	1,883	(35,101)
Deferred tax		
Deferred tax charge current year	(143)	6,100
	<hr/>	<hr/>
	1,740	(29,001)
	<hr/>	<hr/>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	3,277	(187,327)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 10.88% (2002 : 20.00%)	357	(37,465)
	<hr/>	<hr/>
Effects of:		
Non deductible expenses	764	3,441
Depreciation	6,881	14,305
Capital allowances	(6,119)	(18,534)
Adjustments to previous periods	-	3,052
Chargeable disposals	-	100
	<hr/>	<hr/>
	1,526	2,364
	<hr/>	<hr/>
Current tax charge	1,883	(35,101)
	<hr/>	<hr/>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

8 Tangible Assets

	Freehold land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 1 February 2002	850,000	759,361	26,338	1,635,699
Additions	-	1,838	-	1,838
At 31 January 2003	850,000	761,199	26,338	1,637,537
Depreciation				
At 1 February 2002	13,000	501,482	20,927	535,409
Charge for the year	13,000	48,274	1,968	63,242
At 31 January 2003	26,000	549,756	22,895	598,651
Net book value				
At 31 January 2003	824,000	211,443	3,443	1,038,886
At 31 January 2002	837,000	257,879	5,411	1,100,290

Freehold property has been included at a valuation made by Vail Williams, Chartered Surveyors on 15 May 2001 of £850,000.

Included within Freehold property is land valued at £200,000 which is not depreciated.

At the date of these financial statements £69,758 taxation will be payable if all the freehold property was disposed of at the value stated in the Balance Sheet. Such taxation being calculated at the current rate of 19.16% has not been provided for in these accounts.

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 February 2002 & at 31 January 2003	364,510
Depreciation based on cost	
At 1 February 2002	42,431
Charge for the year	7,290
At 31 January 2003	49,721
Net book value	
At 31 January 2003	314,789
At 31 January 2002	322,079

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

Included above are assets held under finance leases or hire purchase contracts as follows:

		Plant and equipment £
Net book values		
At 31 January 2003		126,564
At 31 January 2002		148,669
Depreciation charge for the year		
31 January 2003		22,105
31 January 2002		22,105
9 Stocks and Work in Progress	2003	2002
	£	£
Raw materials and consumables	771,260	771,000
Work in progress	153,300	206,896
	<u>924,560</u>	<u>977,896</u>
10 Debtors	2003	2002
	£	£
Trade debtors	576,743	444,846
Corporation tax	-	38,153
Other debtors	168	170
Prepayments and accrued income	43,958	37,141
	<u>620,869</u>	<u>520,310</u>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

11 Creditors: Amounts Falling Due Within One Year	2003 £	2002 £
Bank loans and overdrafts	116,103	57,320
Net obligations under hire purchase contracts (Note 17)	17,703	48,404
Trade creditors	393,444	290,430
Corporation tax	1,883	-
Other taxes and social security costs	27,362	124,226
Other creditors	-	343
Accruals and deferred income	20,317	32,525
	<u>576,812</u>	<u>553,248</u>

The bank loan and overdraft is secured by a fixed charge over the freehold property and other assets of the company.

12 Creditors: Amounts Falling Due After More Than One Year	2003 £	2002 £
Bank loans	658,750	680,000
Net obligations under hire purchase contracts (Note 17)	-	17,703
	<u>658,750</u>	<u>697,703</u>

Bank loan - amount repayable by instalment

In more than one year but not more than two years	85,000	21,250
In more than two years but not more than five years	255,000	255,000
In more than five years	318,750	403,750
	<u>658,750</u>	<u>680,000</u>

The bank loan is secured by a fixed charge over the freehold property and other assets, carries a fixed interest rate of 2% per annum over the bank's base rate, and is fully repayable in instalments by 14 September 2011. The company has capped the base rate at 6% on £600,000 of the loan until 4 March 2005 by purchasing a capped insurance product from its bankers.

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

13 Provisions for Liabilities and Charges

	Deferred taxation £
Balance at 1 February 2002	16,430
Profit and loss account	(143)
	<hr/>
Balance at 31 January 2003	16,287
	<hr/>

Deferred taxation provided in the financial statements is as follows:

	2003 £	2002 £
Accelerated capital allowances	16,287	16,430
	<hr/>	<hr/>
14 Called Up Share Capital	2003 £	2002 £
Authorised		
1,000,000 Ordinary Shares of 10p each	100,000	100,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
1,000,000 Ordinary Shares of 10p each	100,000	100,000
	<hr/>	<hr/>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

15 Statement of Movements on Reserves

2003	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 February 2002	1,000	528,822	701,338
Retained profit for the year	-	-	1,537
Transfer from revaluation reserve to profit and loss account	-	(5,710)	5,710
Balance at 31 January 2003	<u>1,000</u>	<u>523,112</u>	<u>708,585</u>

2002	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 February 2001	1,000	534,532	853,954
Retained loss for the year	-	-	(158,326)
Transfer from revaluation reserve to profit and loss account	-	(5,710)	5,710
Balance at 31 January 2002	<u>1,000</u>	<u>528,822</u>	<u>701,338</u>

16 Reconciliation of Movements In Shareholders' Funds

	2003 £	2002 £
Profit/(Loss) for the financial year	1,537	(158,326)
Opening shareholders' funds	<u>1,331,160</u>	<u>1,489,486</u>
Closing shareholders' funds	<u>1,332,697</u>	<u>1,331,160</u>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

17 Future Financial Commitments

a) Operating leases

At 31 January 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Operating lease which expire:				
within one year	-	-	268	9,657
in the second to fifth year	22,000	27,500	-	-
	<u>22,000</u>	<u>27,500</u>	<u>268</u>	<u>9,657</u>

b) Finance leases

At 31 January 2003 the company had obligations under finance leases and hire purchase contracts which are set out below:

	2003	2002
	£	£
Gross amount payable:		
within one year	20,449	54,992
in the second to fifth year	-	20,455
	<u>20,449</u>	<u>75,447</u>
Deduct: Finance charges allocated to future periods	(2,746)	(9,340)
	<u>17,703</u>	<u>66,107</u>

Finance lease and hire purchase contracts are analysed as follows:

due within one year (Note 11)	17,703	48,404
due after more than one year (Note 12)	-	17,703
	<u>17,703</u>	<u>66,107</u>

c) Pension commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2003	2002
	£	£
Contributions payable by the company for the year	21,460	28,419
Contributions payable to the fund at the year end and included in creditors	(2,763)	-
	<u>21,460</u>	<u>28,419</u>

Texcel Technology Plc
Notes to the Financial Statements
For the year ended 31 January 2003 (Continued)

18 Related Party Transactions

Texcel Developments Limited is connected with Texcel Technology Plc by virtue of Mr W.H. Bryce and Mr P Shawyer having family interests in both companies.

During the year the company made sales of £Nil (2002: £6,740) to Texcel Developments Limited and made purchases with a value of £40,850 (2002: £94,154) from Texcel Developments Limited. These transactions were conducted on normal commercial terms.

At the Balance Sheet date the amounts due from and to Texcel Developments Limited are as follows:

Trade Debtors £Nil (2002: £7,919)

Trade Creditors £22,319 (2002: £10,687)

19 Controlling Party

The company is controlled by its Directors, none of which individually has control of the company.