

Company Registration No. 2983376 (England and Wales)

AXIS ELECTRONICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2002



AXIS ELECTRONICS LIMITED

COMPANY INFORMATION

Directors	A Cross P Inness
Secretary	Heald Heffron
Company number	2983376
Registered office	Bedford Heights Manton Lane Bedford MK41 7NY
Auditors	Mercer & Hole 420 Silbury Boulevard Milton Keynes Bucks MK9 2AF
Business address	Bedford Heights Manton Lane Bedford MK41 7NY
Bankers	Natwest Bank PLC 81 High Street Bedford MK42 1NE
Solicitors	Heald Heffron Stewart House 69-71 Bromham Road Bedford MK40 2AC

AXIS ELECTRONICS LIMITED

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AXIS ELECTRONICS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2002

The directors present their report and financial statements for the year ended 31 March 2002.

Principal activities and review of the business

The principal activity of the company in the year under review was contract electronics manufacturing.

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

The turnover for the year amounted to £5,611,597 (2001: £5,135,908) and an operating profit of £364,804 (2001: £337,425) was achieved. The profit on ordinary activities before taxation amounted to £332,664 (2000: £311,299). Dividends of £60,000 (2001: £45,000) were paid during the year and the retained profit of £195,551 (2001: £202,009) was transferred to reserves.

The market environment over the period has been difficult. All customers in the telecommunications sector have been severely impacted in the global downturn and the main Axis Telecoms customer, closed manufacturing operations. In addition the trend to manufacture offshore has continued with new areas such as Eastern Block countries, taking on more and more work. As a result the large CEM's have extended their offering in direct competition to SME CEM's, increasing competition in a reduced available market. A number of CEM's have ceased trading over the period and all comment on the difficult trading conditions.

So, given these circumstances, the directors are pleased with the company results and are confident that the existing infrastructure will capitalise on any movements in the market.

Within Axis, investment has continued in the areas of IT and testing - increasing the range of services offered to customers. Customers report that quality and on time delivery levels continue to be the best that they see.

Directors

The following directors have held office since 1 April 2001:

A Cross
P Inness

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 March 2002	1 April 2001
A Cross	5,000	5,000
P Inness	5,000	5,000

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Mercer & Hole, will be deemed to be reappointed for each succeeding financial year.

AXIS ELECTRONICS LIMITED

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 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 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 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.

By order of the board



Heald Heffron
Secretary
3 June 2002

AXIS ELECTRONICS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF AXIS ELECTRONICS LIMITED

We have audited the financial statements of Axis Electronics Limited on pages 4 to 16 for the year ended 31 March 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 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.

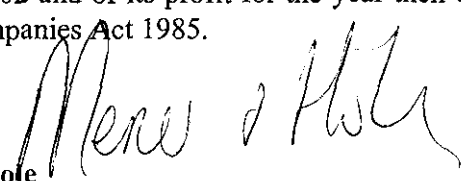
Basis of audit opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Mercer & Hole

Chartered Accountants
Registered Auditor

3 June 2002

420 Silbury Boulevard
Milton Keynes
Bucks
MK9 2AF

AXIS ELECTRONICS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2002**

	Notes	2002 £	2001 £
Turnover	2	5,611,597	5,135,908
Cost of sales		(3,708,215)	(3,421,589)
Gross profit		1,903,382	1,714,319
Administrative expenses		(1,605,118)	(1,376,894)
Operating profit	3	298,264	337,425
Other interest receivable and similar income		1,123	316
Interest payable and similar charges	4	(33,263)	(26,442)
Profit on ordinary activities before taxation		266,124	311,299
Tax on profit on ordinary activities	5	(55,742)	(64,290)
Profit on ordinary activities after taxation		210,382	247,009
Dividends	6	(60,000)	(45,000)
Retained profit for the year	15	150,382	202,009

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 those passing through the profit and loss account.

AXIS ELECTRONICS LIMITED

BALANCE SHEET
AS AT 31 MARCH 2002

	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	7		555,510		626,938
Current assets					
Stocks	8	824,353		1,167,662	
Debtors	9	1,010,405		1,502,847	
Deferred tax asset	9	-		-	
Cash at bank and in hand		154		500,366	
		1,834,912		3,170,875	
Creditors: amounts falling due within one year	10	(1,361,340)		(2,798,117)	
Net current assets			473,572		372,758
Total assets less current liabilities			1,029,082		999,696
Creditors: amounts falling due after more than one year	11		(209,556)		(319,318)
Provisions for liabilities and charges	12		(18,956)		(26,338)
Deferred tax liability			(31,370)		(35,222)
			769,200		618,818
Capital and reserves					
Called up share capital	14		10,000		10,000
Profit and loss account	15		759,200		608,818
Shareholders' funds - equity interests	16		769,200		618,818

The financial statements were approved by the Board on 31 May 2002



P Inness
Director

AXIS ELECTRONICS LIMITED**CASH FLOW STATEMENT****FOR THE YEAR ENDED 31 MARCH 2002**

	2002	2001
	£	£
Net cash (outflow)/inflow from operating activities	(36,901)	750,791
Returns on investments and servicing of finance		
Interest received	1,123	316
Interest paid	(3,084)	(3,266)
Interest element of finance lease rentals	<u>(30,179)</u>	<u>(23,176)</u>
Net cash outflow for returns on investments and servicing of finance	(32,140)	(26,126)
Taxation	(50,230)	(26,155)
Capital expenditure		
Payments to acquire tangible assets	(71,587)	(745)
Receipts from sales of tangible assets	<u>-</u>	<u>1</u>
Net cash outflow for capital expenditure	(71,587)	(744)
Equity dividends paid	(60,000)	(45,000)
Net cash (outflow)/inflow before management of liquid resources and financing	(250,857)	652,766
Financing		
New long term bank loan	-	50,000
Other new short term loans	-	11,268
Repayment of long term bank loan	(10,564)	(18,612)
Capital element of finance lease contracts	<u>(137,024)</u>	<u>(223,526)</u>
Net cash outflow from financing	(147,588)	(180,870)
(Decrease)/increase in cash in the year	<u>(398,446)</u>	<u>471,896</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2002

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities	2002	2001
		£	£
	Operating profit	298,264	337,425
	Depreciation of tangible assets	172,487	155,762
	Loss on disposal of tangible assets	-	5,246
	Decrease/(increase) in stocks	343,309	(62,483)
	Decrease/(increase) in debtors	492,442	(839,610)
	(Decrease)/Increase in creditors within one year	(1,336,021)	1,214,482
	Movement in warranty provision	(7,382)	(60,031)
	Net cash (outflow)/inflow from operating activities	(36,901)	750,791

2	Analysis of net debt	1 April 2001	Cash flow	Other non-cash changes	31 March 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	500,366	(500,212)	-	154
	Bank overdrafts	(106,427)	101,766	-	(4,661)
		<u>393,939</u>	<u>(398,446)</u>	<u>-</u>	<u>(4,507)</u>
	Debt:				
	Finance leases	(423,755)	107,552	-	(316,203)
	Debts falling due within one year	(11,268)	(1,000)	-	(12,268)
	Debts falling due after one year	(31,388)	11,564	-	(19,824)
		<u>(466,411)</u>	<u>118,116</u>	<u>-</u>	<u>(348,295)</u>
	Net debt	<u>(72,472)</u>	<u>(280,330)</u>	<u>-</u>	<u>(352,802)</u>

3	Reconciliation of net cash flow to movement in net debt	2002	2001
		£	£
	(Decrease)/increase in cash in the year	(398,446)	471,896
	Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	118,116	(223,695)
	Movement in net debt in the year	(280,330)	248,201
	Opening net debt	(72,472)	(320,673)
	Closing net debt	<u>(352,802)</u>	<u>(72,472)</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Plant and machinery	25% reducing balance
Office furniture and fittings	25% reducing balance
Motor vehicles	25% reducing balance

1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs to completion and disposal. Stock which is likely to become redundant or no longer saleable is deemed obsolete and a provision is taken to the profit & loss account and balance sheet.

1.7 Pensions

The company operates a defined contribution scheme for eligible employees. Contributions payable to this scheme are charged to the profit & loss account in the period to which they relate. These contributions are invested separately from the company's assets. The assets of the scheme are held in an independently administered fund.

1.8 Deferred taxation

Deferred taxation is fully provided using the liability method on all timing differences, calculated at the rate at which it is anticipated the timing differences will reverse.

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2002

1 Accounting policies

(continued)

1.9 Government grants

Capital based grants are included within accruals and deferred income in the balance sheet and credited to trading profit over the estimated useful economic lives of the assets to which they relate.

Revenue based grants are credited to the profit and loss account in the same year as expenditure to which they relate.

1.10 Warranty costs

A warranty provision is held for the preceding 12 months (this is the minimum length of warranty on all contracts). The value of this provision is based upon the company's historical return rate for products being manufactured.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit

	2002 £	2001 £
Operating profit is stated after charging:		
Depreciation of tangible assets	172,487	155,762
Research and development	28,185	52,620
Loss on disposal of fixed assets	-	5,246
Operating lease rentals - plant and machinery	10,425	10,424
Operating lease rentals - land and buildings	51,566	51,566
Auditors' remuneration	6,300	6,150

4 Interest payable

	2002 £	2001 £
On bank loans and overdrafts	3,084	3,266
Lease finance charges	30,179	23,176
	<u>33,263</u>	<u>26,442</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

5	Taxation	2002	2001
		£	£
	Domestic current year tax		
	U.K. corporation tax	59,594	50,230
	Current tax charge	59,594	50,230
	Deferred tax		
	Deferred tax charge/credit current year	(3,852)	14,060
		55,742	64,290
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	266,124	311,299
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2001 : 20.00%)	53,225	62,260
	Effects of:		
	Non deductible expenses	2,516	2,030
	Depreciation	34,497	31,152
	Capital allowances	(29,851)	(45,228)
	Chargeable disposals	-	1,049
	Other tax adjustments	(1,019)	(1,097)
		6,143	(12,094)
	Current tax charge	59,594	50,230
6	Dividends	2002	2001
		£	£
	Ordinary interim paid	60,000	45,000

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

7 Tangible fixed assets

	Plant and machinery	Office furniture and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2001	890,506	103,238	55,967	1,049,711
Additions	49,316	51,743	-	101,059
	<u>939,822</u>	<u>154,981</u>	<u>55,967</u>	<u>1,150,770</u>
Depreciation				
At 1 April 2001	375,826	23,840	23,107	422,773
Charge for the year	137,099	27,150	8,238	172,487
	<u>512,925</u>	<u>50,990</u>	<u>31,345</u>	<u>595,260</u>
Net book value				
At 31 March 2002	<u>426,897</u>	<u>103,991</u>	<u>24,622</u>	<u>555,510</u>
At 31 March 2001	<u>514,680</u>	<u>79,398</u>	<u>32,860</u>	<u>626,938</u>

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

	Plant and machinery £
Net book values	
At 31 March 2002	<u>380,316</u>
At 31 March 2001	<u>438,131</u>
Depreciation charge for the year	
31 March 2002	<u>124,298</u>
31 March 2001	<u>146,044</u>

AXIS ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2002

8 Stocks and work in progress	2002	2001
	£	£
Raw materials and consumables	642,157	909,957
Work in progress	182,196	257,705
	<u>824,353</u>	<u>1,167,662</u>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

9 Debtors	2002	2001
	£	£
Trade debtors	984,437	1,499,416
Prepayments and accrued income	25,968	3,431
	<u>1,010,405</u>	<u>1,502,847</u>

10 Creditors: amounts falling due within one year	2002	2001
	£	£
Bank loans and overdrafts	16,929	117,695
Net obligations under finance leases	126,471	135,825
Trade creditors	291,249	799,469
Corporation tax	59,593	50,229
Other taxes and social security costs	116,352	253,790
Directors' current accounts	6,573	15,417
Other creditors	428,724	397,980
Accruals and deferred income	315,449	1,027,712
	<u>1,361,340</u>	<u>2,798,117</u>

Bank loans and overdraft amounting to £16,929 (2001: £117,695) are secured by a floating charge on all the assets of the company.

AXIS ELECTRONICS LIMITED**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
FOR THE YEAR ENDED 31 MARCH 2002

11 Creditors: amounts falling due after more than one year	2002	2001
	£	£
Bank loans	19,824	31,388
Net obligations under finance leases	189,732	287,930
	<u>209,556</u>	<u>319,318</u>
Analysis of loans		
Wholly repayable within five years	32,092	42,656
	<u>32,092</u>	<u>42,656</u>
Included in current liabilities	(12,268)	(11,268)
	<u>19,824</u>	<u>31,388</u>
Loan maturity analysis		
In more than one year but not more than two years	<u>19,824</u>	<u>31,388</u>
The bank loan is secured by a fixed and floating charge over the assets of the company.		
Net obligations under finance leases		
Repayable within one year	126,471	135,825
Repayable between one and five years	189,732	287,930
	<u>126,471</u>	<u>135,825</u>
Included in liabilities falling due within one year	<u>189,732</u>	<u>287,930</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

12 Provisions for liabilities and charges

	Warranty provision	Deferred taxation £
Balance at 1 April 2001	26,338	35,222
Profit and loss account	(7,382)	(3,852)
	<u>18,956</u>	<u>31,370</u>
Balance at 31 March 2002	<u>18,956</u>	<u>31,370</u>

Deferred taxation provided in the financial statements is as follows:

	2002 £	2001 £
Accelerated capital allowances	<u>31,370</u>	<u>35,222</u>

13 Pension costs

Defined contribution

	2002 £	2001 £
Contributions payable by the company for the year	<u>135,519</u>	<u>73,300</u>

14 Share capital

	2002 £	2001 £
Authorised		
100,000 Ordinary shares of £ 1 each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid		
10,000 Ordinary shares of £ 1 each	<u>10,000</u>	<u>10,000</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 MARCH 2002**

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 April 2001	608,818
Retained profit for the year	150,382
	<u>759,200</u>
Balance at 31 March 2002	<u>759,200</u>

16 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	210,382	247,009
Dividends	(60,000)	(45,000)
	<u>150,382</u>	<u>202,009</u>
Net addition to shareholders' funds	150,382	202,009
Opening shareholders' funds	618,818	416,809
	<u>769,200</u>	<u>618,818</u>
Closing shareholders' funds	<u>769,200</u>	<u>618,818</u>

17 Financial commitments

At 31 March 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2002 £	2001 £	2002 £	Other 2001 £
Expiry date:				
Within one year	-	-	7,797	-
Between two and five years	110,836	109,566	-	10,425
	<u>110,836</u>	<u>109,566</u>	<u>7,797</u>	<u>10,425</u>

AXIS ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2002

18 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	244,130	180,248
Company pension contributions to money purchase schemes	120,000	59,545
	<u>364,130</u>	<u>239,793</u>

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to 2 (2001 - 2)

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

Emoluments for qualifying services	122,484	91,949
Company pension contributions to money purchase schemes	<u>60,000</u>	<u>29,768</u>

19 Employees

Number of employees

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

	2002 Number	2001 Number
Direct employees	44	47
Directors & administration	<u>19</u>	<u>18</u>
	<u>63</u>	<u>65</u>

Employment costs

	£	£
Wages and salaries	1,370,077	1,150,565
Social security costs	126,356	104,040
Other pension costs	<u>135,519</u>	<u>73,300</u>
	<u>1,631,952</u>	<u>1,327,905</u>