

Aeronautical and General Instruments Limited

Report and Financial Statements

31 March 2003

Registered Number : 138853



Aeronautical and General Instruments Limited

Registered No. 138853

DIRECTOR

Mr J G Harris

SECRETARY

Mr A E Mullins

AUDITORS

Ernst & Young LLP
One Colmore Row
Birmingham
B3 2DB

BANKERS

Barclays Bank Plc
54 Lombard Street
London
EC3V 9EX

Allied Irish Bank (GB)
48/50 High Street
Harborne
Birmingham B17 9NE

REGISTERED OFFICE

1 Fleets Lane
Poole
Dorset
BH15 3BZ

Aeronautical and General Instruments Limited

DIRECTORS' REPORT

The directors present their report together with financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the company continues to be the design, development and manufacture of aviation and marine systems.

The results for the year are considered to be satisfactory as are future prospects.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £984,630 (15 months 2001/2: £768,441). The payment of a dividend amounting to £619,599 was made in the year (15 months 2001/2 £1,037,000).

DIRECTORS' AND THEIR INTERESTS

The directors holding office during the year were:

J G Harris

Mr J G Harris is a director of the ultimate parent company, Harris Watson Holdings plc and his interests in the shares of that company are shown in its financial statements.

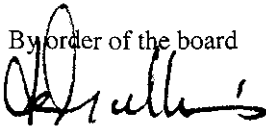
RESEARCH AND DEVELOPMENT

The company is committed to a policy of investment in the future both by acquisition of new capital equipment and by expenditure on innovative research and product development and improvement.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditors will be put to the forthcoming Annual General Meeting.

By order of the board


A E Mullins
Secretary

Dated 4.8.03

Aeronautical and General Instruments Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period 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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AERONAUTICAL AND GENERAL INSTRUMENTS LIMITED

We have audited the company's financial statements for the year ended 31 March 2003, which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 22. These financial statements have been prepared on the basis of 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 so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone 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 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 United Kingdom law and 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 affairs of the company as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Birmingham
Dated

4/8/03.

Aeronautical and General Instruments Limited

PROFIT & LOSS ACCOUNT

for the 12-month period ended 31 March 2003

		12 months ended 31 March 2003	15 months ended 31 March 2002
	Notes	£	£
TURNOVER	2	7,107,839	8,191,742
Cost of sales		(4,022,630)	(5,414,581)
GROSS PROFIT		3,085,209	2,777,161
Distribution costs		(669,917)	(753,323)
Administrative costs		(990,075)	(861,811)
OPERATING PROFIT	3	1,425,217	1,162,027
Interest receivable	4	61,807	93,087
Interest payable and similar charges	5	(74,964)	(43,566)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,412,060	1,211,548
Tax on profit on ordinary activities	8	(427,430)	(443,107)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		984,630	768,441
Dividend		(619,599)	(1,037,000)
RETAINED PROFIT/(LOSS) TRANSFERRED TO RESERVES	18	365,031	(268,559)

There are no recognised gains and losses other than the profit attributable to shareholders of the company of £984,630 in the 12 months ended 31 March 2003 and the profit of £768,441 in the 15 months ended 31 March 2002.

Aeronautical and General Instruments Limited

BALANCE SHEET

at 31 March 2003

	Notes	31 March 2003 £	31 March 2002 £
FIXED ASSETS			
Tangible assets	9	269,815	209,207
Investments	10	-	-
		<u>269,815</u>	<u>209,207</u>
CURRENT ASSETS			
Stocks	11	1,524,486	1,057,538
Debtors	12	2,564,469	2,876,772
Cash at bank and in hand		391,299	206,691
		<u>4,480,254</u>	<u>4,141,001</u>
CREDITORS: amounts falling due within one year	13	(2,114,316)	(2,028,894)
		<u>2,365,938</u>	<u>2,112,107</u>
NET CURRENT ASSETS			
		<u>2,635,753</u>	<u>2,321,314</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>2,635,753</u>	<u>2,321,314</u>
CREDITORS: amounts falling due after more than one year	14	(92,287)	(225,726)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(309,291)	(226,444)
		<u>2,234,175</u>	<u>1,869,144</u>
		<u><u>2,234,175</u></u>	<u><u>1,869,144</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	928,489	928,489
Share premium account	18	233,187	233,187
Profit and loss account	18	1,072,499	707,468
		<u>2,234,175</u>	<u>1,869,144</u>
EQUITY SHAREHOLDERS' FUNDS		<u><u>2,234,175</u></u>	<u><u>1,869,144</u></u>

The financial statements were approved by the Board of Directors on 4th August 2003

J. G. Harris
J G Harris
Director

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared in accordance with applicable UK accounting standards and under the historical cost convention.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful life as follows:

Leasehold improvements	- over the life of the lease
Plant and machinery	- 10% to 25%
Capital tooling	- 33%

Stocks and work-in-progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost includes appropriate works overheads. Where necessary provision is made for obsolete, slow moving and defective stocks.

Contracts

The costs on contracts not yet taken to the profit and loss account less related foreseeable losses are shown in stocks as work in progress. Advance payments with no associated production cost are disclosed under creditors as payments received on account.

Research and Development

Research and development expenditure is written off as incurred, in the period in which the expenditure arises.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Pensions

The company contributes to the personal pension plans of its employees. The employer's contributions are charged in the profit and loss account in the period to which they relate.

Cash flow statement

The company has not produced a cash flow statement as it is a wholly owned subsidiary of Harris Watson Holdings plc whose financial statements include a consolidation cash flow statement.

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

1. ACCOUNTING POLICIES *(continued)*

Investments

Investments are carried at the lower of cost and net realisable value. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

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

2. TURNOVER

Turnover represents the invoiced value of goods and services supplied during the year exclusive of value added tax and trade discounts.

All of the company's turnover and profit on ordinary activities before taxation relate to the company's principal activity.

The geographic analysis of turnover by destination is as follows:

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
United Kingdom	3,075,716	4,705,622
Asia, Far East and Australia	277,679	475,258
North, South and Central America	1,909,562	1,701,312
Rest of Europe	1,613,177	1,119,261
Middle East	231,705	190,289
	<u>7,107,839</u>	<u>8,191,742</u>

The source of all turnover is the United Kingdom.

3. OPERATING PROFIT

This is stated after charging:

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
Audit services	21,370	24,000
Depreciation - owned fixed assets	25,826	70,598
- held under finance lease and hire purchase contracts	26,055	20,883
Operating lease charges - plant and machinery	40,474	53,983
Research and development expenditure	263,665	173,768
	<u></u>	<u></u>

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

4. INTEREST RECEIVABLE

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
Bank interest	-	93,087
Inter Company Loan - Interest Receivable from Horstman	61,807	-
	<u>61,807</u>	<u>93,087</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
Finance charges in respect of finance leases	44,020	25,623
Other loans	-	17,943
Invoice Factoring Charges -- First National	30,944	-
	<u>74,964</u>	<u>43,566</u>

6. STAFF COSTS

Staff costs during the year/period were as follows:

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
Wages and salaries	1,928,221	1,977,826
Social security costs	174,373	188,411
Other pension costs	73,441	77,480
	<u>2,176,035</u>	<u>2,243,717</u>

The average number of employees of the company during the year/period was as follows:

	<i>12 months ended 31 March 2003</i>	<i>15 months ended 31 March 2002</i>
Manufacturing	74	65
Sales, administration and distribution	9	8
	<u>83</u>	<u>73</u>

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

7. DIRECTORS

No emoluments were paid by the company to the director in the year (2001/2: £nil).

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) The tax charge is made up as follows:

	<i>12 months ended 31 March 2003 £</i>	<i>15 months ended 31 March 2002 £</i>
Corporation tax	96,584	35,665
Group relief	323,416	411,491
Prior year corporation tax	-	3,231
Total current tax	420,000	450,387
Deferred taxation	7,430	(7,280)
	<u>427,430</u>	<u>443,107</u>

The company has received tax losses to utilise as group relief for which payment has been made.

(b) Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is less than the standard rate of corporation tax in the UK of 30% (higher than 30% in the 15 months ended 31 March 2002). The differences are reconciled below:

	<i>2003 £</i>	<i>2002 £</i>
Profit on ordinary activities before taxation	1,412,060	1,211,548
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	423,618	363,464
Expenses not deductible for tax purposes	3,016	100,312
Decelerated/(accelerated) capital allowances	443	(4,220)
Other timing differences	(7,077)	-
Utilisation of tax losses	-	(12,400)
Prior year corporation tax	-	3,231
Total current tax (note 8(a))	<u>420,000</u>	<u>450,387</u>

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

9. TANGIBLE FIXED ASSETS

	<i>Leasehold Improvements</i> £	<i>Plant and Machinery</i> £	<i>Total</i> £
Cost:			
At 31 March 2002	244,556	206,753	451,309
Additions	68,769	43,720	112,489
At 31 March 2003	313,325	250,473	563,798
Depreciation:			
At 31 March 2002	92,077	150,025	242,102
Provided in the year	16,351	35,530	51,881
At 31 March 2003	108,428	185,555	293,983
<i>Net book value:</i>			
At 31 March 2003	204,897	64,918	269,815
At 31 March 2002	152,479	56,728	209,207

The net book value of plant and machinery above includes an amount of £6,218 in respect of assets held under finance leases and hire purchase contracts.

10. INVESTMENTS

Shares in group undertaking:

	<i>31 March 2003</i> £	<i>31 March 2002</i> £
At 1 April	-	300
Written off during the period	-	(300)
At 31 March	-	-

The company disposed of its interest of 100% of the ordinary shares of three dormant companies, Bradley Electronics Limited, Agicom Limited and AGI Obsermet Limited. All three companies were registered in England and Wales.

The company has taken advantage of the dispensation granted under S228 of the Companies Act 1985 not to produce group accounts, being a wholly owned subsidiary undertaking of another body incorporated in Great Britain.

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

11. STOCKS

	<i>31 March 2003</i>	<i>31 March 2002</i>
	£	£
Raw materials	493,517	764,225
Work in progress	1,030,969	293,313
	<u>1,524,486</u>	<u>1,057,538</u>

The difference between purchase price or production cost of stock and its replacement cost is not material.

12. DEBTORS

	<i>31 March 2003</i>	<i>31 March 2002</i>
	£	£
Trade debtors	969,629	690,880
Amount due from other group companies	1,495,136	2,157,950
Prepayments	47,862	27,603
Other debtors - VAT	51,842	339
	<u>2,564,469</u>	<u>2,876,772</u>

13. CREDITORS: amounts falling due within one year

	<i>31 March 2003</i>	<i>31 March 2002</i>
	£	£
Loans	-	458,000
Obligations under finance leases and hire purchase contracts (note 15)	133,637	112,518
Payments received in advance	292,368	391,006
Trade creditors	529,572	186,394
Amounts owed to group undertaking	421,488	421,591
Corporation tax	94,758	35,665
Social security and other taxes	55,876	84,401
Accruals and deferred income	586,617	339,319
	<u>2,114,316</u>	<u>2,028,894</u>

At 31 March 2002, the loan was secured against the trade debtors of the company.

14. CREDITORS: amounts falling due after more than one year

	<i>31 March 2003</i>	<i>31 March 2002</i>
	£	£
Obligations under finance leases and hire purchase contracts (note 15)	92,287	225,726

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

15. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31 March 2003 £	31 March 2002 £
Amounts payable:		
Within one year	158,902	159,646
In two to five years	95,200	254,714
	<u>254,102</u>	<u>414,360</u>
Less finance allocated to future periods	(28,178)	(76,116)
	<u>225,924</u>	<u>338,244</u>

Finance leases and hire purchase obligations are analysed as follows:

Current obligations (note 13)	133,637	112,518
Non current obligations (note 14)	92,287	225,726
	<u>225,924</u>	<u>338,244</u>

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Provision for Warranties £	Deferred taxation £	Total £
At 31 March 2002	233,724	(7,280)	226,444
Arising during the year	136,191	7,430	143,621
Utilised during the year	(60,774)	-	(60,774)
At 31 March 2003	<u>309,141</u>	<u>150</u>	<u>309,291</u>

The warranty provision represents the maximum potential exposure to the company on customer claims against work carried out. It is expected that any transfer of economic benefits will occur within one year.

Deferred taxation in the financial statements and the amounts not provided are as follows:

	31 March 2003 £	Provided 31 March 2002 £	31 March 2003 £	Not provided 31 March 2002 £
Accelerated capital allowances	(14,540)	(14,180)	-	-
Other timing differences	14,390	21,460	-	-
Deferred tax (liability)/asset	<u>(150)</u>	<u>7,280</u>	<u>-</u>	<u>-</u>

Aeronautical and General Instruments Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

17. SHARE CAPITAL

	31 March 2003		31 March 2002	
	Number	£	Number	£
Authorised:				
Ordinary shares of £1 each	1,011,698	1,011,698	1,011,698	1,011,698
	31 March 2003		31 March 2002	
	Number	£	Number	£
Allotted, called up and fully paid:				
Ordinary shares of £1 each	928,489	928,489	928,489	928,489

18. RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Profit and loss account £	Total shareholders funds £
At 1 January 2001	928,489	233,187	976,027	2,137,703
Retained loss the period	-	-	(268,559)	(268,559)
At 31 March 2002	928,489	233,187	707,468	1,869,144
Retained profit for the year	-	-	365,031	365,031
At 31 March 2003	928,489	233,187	1,072,499	2,234,175

19. OPERATING LEASES

The commitments which fall to be paid in the following year under non-cancellable operating leases are:

	31 March 2003		31 March 2002	
	Land and buildings £	Other £	Land and buildings £	Other £
In one year or less	-	4,618	-	6,429
In two to five years	-	35,580	-	57,650
	-	40,198	-	64,079

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

20. PENSIONS

Since 1 April 1990 the company has contributed to the personal pension plans taken out by its employees through a life assurance company. The contributions paid by the company are at a fixed percentage rate of gross salary. The charge in the year was £73,441 (15 months to 31 March 2002: £77,480)

21. RELATED PARTY TRANSACTIONS

As permitted by FRS 8 "Related Party Disclosures" the financial statements do not disclose transactions with the parent company and fellow subsidiaries where 90% of the voting rights are controlled within the group.

22. ULTIMATE PARENT UNDERTAKING

The parent undertaking of the group of undertakings for which group financial statements are drawn up and of which the company is a member is Harris Watson Holdings plc, a company registered in England and Wales. Copies of the financial statements of Harris Watson Holdings plc may be obtained from 45 Waterlinks House, Richards Street, Birmingham, B7 4AA.