

AVO INTERNATIONAL HOLDINGS LIMITED

DIRECTORS' REPORT AND GROUP ACCOUNTS

FOR THE YEAR ENDED 30 NOVEMBER 2000

REGISTERED NUMBER 2582519



AVO INTERNATIONAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited accounts of the Company and the group for the financial year ended 30 November 2000.

Principal Activities

The principal activities of the group are the manufacture, marketing and distribution of electrical and electronic testing and measuring instruments.

Review of Activities

The consolidated profit and loss account for the year is set out on page 5 and shows a group profit before tax of £4,164,000 (1999: £2,034,000).

Whilst the market situation has improved compared to last year the future remains unpredictable and strenuous efforts will be made to contain costs within the business in order to continue a profitable trading situation.

An amount of £2,065,000 was transferred to reserves (1999: £1,851,000 transferred from reserves).

Group Reconstruction

On 28 April 2000 AVO International Holdings Limited purchased the entire share capital of AVO (USA) Inc and AVO Multi-Amp Canada Limited from AVO Instruments International BV (the parent of AVO International Holdings) in exchange for 26 million £1 ordinary shares in AVO International Holdings Limited.

AVO International Holdings Limited then sold the entire share capital of AVO (USA) Inc and AVO Multi-Amp Canada Limited to AVO Ltd (also on the 28th April 2000), in exchange for 26 million £1 ordinary shares in AVO Limited.

Merger accounting is being used for the business combination.

Dividends

The dividend declared and paid for the year was £918,000 (1999 - £2,699,000).

Directors

Directors who held office during the year were:

Mr. C. P. Burns
Mr. P. J. Frank
Mr. A. R. Hardie

Since the year end Mr C. P. Burns resigned as of 7 September 2001.

AVO INTERNATIONAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS (Continued)

Statement of Directors' Responsibilities

Company law requires the Directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the group and of the profit or loss of the group for that period.

The Directors are required to prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the accounts for the year ended 30 November 2000 and that applicable accounting standards have been followed.

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

Directors' Interests in Shares or Debentures

No Director at any time during the year ended 30 November 2000 (1999: Nil) was beneficially interested in any shares or debentures of the Company or any group company according to the register required to be kept under Section 325 of the Companies Act 1985.

Group Research and Development Activities

The group is heavily committed to research and development activities so as to secure its position as a market leader in its addressed markets.

U.K. Employees

The group's policy is to consult and discuss with employees, through Unions and at meetings, matters likely to affect employees' interests.

It is the policy of the group to maintain the employment of disabled persons wherever practicable and to ensure appropriate opportunities for their training, career development and promotion.

Policy on Payment of Creditors

It is the policy of the group to agree terms of settlement with its suppliers, which are appropriate for the markets in which they operate, and to abide by those terms where suppliers have also met their obligations. Trade creditors at the year end represented 60 days (1999 – 46 days) of average annual purchases.

Political and Charitable Contributions

The group does not make contributions to political parties. No donations were made to charitable institutions during the period.

Eurocurrency Compliance

The group has ongoing programmes to ensure that both its products and internal systems are Eurocurrency compliant. These programmes are staffed by the employees of the group and it is anticipated that any additional third party costs will be minimal.

AVO INTERNATIONAL HOLDINGS LIMITED

REPORT OF THE DIRECTORS (Continued)

Post Balance Sheet Events

On 13 December 2000, AVO (USA) Inc signed a letter of intent to acquire certain assets of Interlynx. The group will assume no Interlynx obligations, with the exception of up to \$10,000 of warranty servicing costs.

The consideration given was \$240,000 in cash on completion with deferred consideration of up to \$150,000 in cash payable 30 days from the acquisition date.

The group acquired certain assets of the Metrosonics product lines from Tempo Instruments. The group will assume no Tempo obligations, with the exception of the costs associated with the one year warranty offered by Tempo on the products sold prior to completion of the transactions. This is estimated to be \$50,000.

Consideration comprised of cash of \$1,100,000.

Auditors

The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, the auditors PricewaterhouseCoopers will be deemed to be appointed at the next date for the appointment of auditors.

BY ORDER OF THE BOARD

Registered Office:
Archcliffe Road
Dover
Kent



A R. Hardie
Secretary

4th October

2001

AVO INTERNATIONAL HOLDINGS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF
AVO INTERNATIONAL HOLDINGS LIMITED

We have audited the accounts on pages 5 to 23.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 2, this includes responsibility for preparing the accounts, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we need for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies in the accounts.

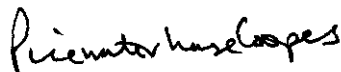
Basis of Opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the group at 30 November 2000 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
Maidstone

4 October 2001

AVO INTERNATIONAL HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 NOVEMBER 2000

	Note	2000 £'000	1999 £'000 (as restated)
Turnover	1	52,751	44,021
Cost of sales		-29,280	-25,073
Gross Profit		<u>23,471</u>	<u>18,948</u>
Distribution costs		-9,840	-8,959
Administrative expenses		-8,512	-6,395
Other operating expenditure		-778	-1,160
Operating profit	2	<u>4,341</u>	<u>2,434</u>
Interest receivable and similar income	5	33	5
Interest payable and similar charges	6	-210	-405
Profit on ordinary activities before tax		<u>4,164</u>	<u>2,034</u>
Tax on profit on ordinary activities	7	-1,181	-1,186
Profit for the financial year		<u>2,983</u>	<u>848</u>
Dividends	8	-918	-2,699
Amount transferred to/(from) reserves		<u>2,065</u>	<u>-1,851</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	2000 £'000	1999 £'000
Profit for the financial year		2,983	848
Currency translation differences on foreign currency net investments		1,444	728
Total recognised gains and losses relating to the year		<u>4,427</u>	<u>1,576</u>

All income and expenditure relates to continuing operations.

There is no difference between the reported profits as stated above and the amounts that would be reported under the historical cost basis.

The notes on pages 9 to 23 form part of these accounts.

AVO INTERNATIONAL HOLDINGS LIMITED

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

<u>Group</u>	Called up share capital 2000 £'000	Profit and loss account 2000 £'000	Other reserves 2000 £'000	Total 2000 £'000
Prior to merger as previously reported by:				
AVO International Holdings Limited	8,785	-2,187	-	6,598
AVO (USA) Inc and AVO Multi Amp Canada Limited	3	14,926	-	14,929
Issue of additional share capital	26,000	-	-	26,000
Merger reserve adjustment	-3	-	-25,997	-26,000
Opening balances after merger accounting	34,785	12,739	-25,997	21,527
Profit for the financial year	-	2,983	-	2,983
Dividends paid and payable	-	-918	-	-918
Currency translation differences	-	1,444	-	1,444
Merged shareholders' funds at 30 November 2000	34,785	16,248	-25,997	25,036
<u>Company</u>		Called up share capital 2000 £'000	Profit and loss account 2000 £'000	Total 2000 £'000
At start of year		8,785	628	9,413
Issue of additional share capital		26,000	-	26,000
Profit for the financial year (Note 9)		-	801	801
Dividends paid and payable		-	-918	-918
Total shareholders' funds at 30 November 2000		34,785	511	35,296

Other reserves represent the merger reserve of £25,997,000 arising as a result of the group reconstruction that has taken place in the year.


The notes on pages 9 to 23 form part of these accounts.

AVO INTERNATIONAL HOLDINGS LIMITED

BALANCE SHEETS - 30 NOVEMBER 2000

	Note	Group 2000 £'000	1999 £'000 (as restated)	Company 2000 £'000	1999 £'000
Fixed Assets					
Intangible assets	10	3,795	4,346	-	-
Tangible assets	12	11,600	12,079	-	-
Investment in group undertakings	11	-	-	42,238	16,238
		<u>15,395</u>	<u>16,425</u>	<u>42,238</u>	<u>16,238</u>
Current Assets					
Stocks and work in progress	14	8,141	8,024	-	-
Debtors	15	12,624	10,979	-	68
Cash at bank and in hand		228	418	-	-
		<u>20,993</u>	<u>19,421</u>		<u>68</u>
Creditors					
Amounts falling due within one year	16	-7,844	-6,672	-6,942	-4,583
Net Current Assets/(Liabilities)		<u>13,149</u>	<u>12,749</u>	<u>-6,942</u>	<u>-4515</u>
Total Assets less Current Liabilities		28,544	29,174	35,296	11,723
Creditors					
Amounts falling due after more than one year	17	-443	-3,478	-	-2,310
Deferred Income	18	-1,871	-1,971	-	-
Provisions for Liabilities and Charges					
Deferred tax	19	-1,194	-2,198	-	-
Net Assets		<u>25,036</u>	<u>21,527</u>	<u>35,296</u>	<u>9,413</u>
Capital and Reserves					
Called up share capital	21	34,785	34,785	34,785	8,785
Profit and loss account		16,248	12,739	511	628
Other reserves		(25,997)	(25,997)	-	-
Equity Shareholders' Funds		<u>25,036</u>	<u>21,527</u>	<u>35,296</u>	<u>9,413</u>

The accounts on pages 5 to 23 were approved by the Board on 6th Dec 2001 and signed on its behalf by


A. R. Hardie
Director

The notes on pages 9 to 23 form part of these accounts.

AVO INTERNATIONAL HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2000

	Note	2000 £'000	1999 (as restated) £'000
Cash Inflow From Operating Activities	22	9,358	5,831
Returns on Investments and Servicing of Finance			
Interest received		33	5
Interest paid		-198	-378
Interest element of finance lease rentals		-12	-27
Net cash outflow from returns on investments and servicing of finance		-177	-400
Taxation		-2,242	-1,707
Capital Expenditure			
Payments to acquire tangible fixed assets		-979	-1,770
Receipts from sales of tangible fixed assets		219	2,364
Acquisition of intangible assets		-52	-
Net cash outflow for capital expenditure		-812	1,194
Dividends paid		-918	-2,699
Net Cash Inflow Before Financing		5,209	2,219
Financing			
Repayment of bank borrowings	23	-4,435	-2,143
Payments of the capital element of finance leases	23	-155	-182
Net cash outflow from financing		-4,590	-2,325
Increase in Cash	24	619	247

The notes on pages 9 to 23 form part of these accounts.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS **PRINCIPAL ACCOUNTING POLICIES**

Accounting Convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

Basis of Consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries. Intra group sales and profits are eliminated on consolidation and all sales and profit figures relate to external transactions only.

Turnover

Turnover, which excludes value added tax, sales between group companies and trade discount, represents the invoiced value of goods and services supplied.

Fixed Assets (Excluding Goodwill)

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The principal time periods in use are:

Freehold buildings	30 years
Plant and equipment	7-10 years
Office equipment	5-8 years
Motor vehicles	4 years
Product tooling	7 years

Freehold land is not depreciated.

Goodwill

Goodwill arising on consolidation, being the excess of the purchase price over the fair values of the underlying net assets of subsidiary companies acquired, is capitalised and amortised against profits over its useful economic life, the majority of which is over 15 years.

Other Business Combinations

For the combination of AVO (USA) Inc and AVO Multi-Amp Canada Limited merger accounting principles have been used. All comparative figures for the group for the year ended 30 November 1999 have been restated to reflect the new structure.

Stocks and Work in Progress

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport, handling costs and duty on imported goods. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a saleable condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Foreign Currencies

Assets and liabilities of subsidiaries expressed in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial period. Trading results of overseas subsidiaries are also translated at average rates of exchange. Differences on exchange arising from the re-translation into sterling of the opening balance sheets of overseas subsidiary companies and of trading results are taken to reserves. All other exchange differences are dealt with in arriving at operating profit.

Taxation

The charge for taxation is based on the profit for the period as adjusted for disallowable items.

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, using the incremental approach. Timing differences are differences between the Group's taxable profits and its results as stated in the accounts.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and Development Expenditure

Development expenditure is written off as incurred.

Warranties for Products

Provision is made for the estimated liability on all products still under warranty, including claims already received.

Leased Assets

Assets held under finance leases are treated as tangible fixed assets and depreciation provided thereon. The deemed capital element of future rentals is treated as a liability and deemed interest calculated at a rate based on the capital value outstanding is charged over the period of the lease against operating profit.

Rentals in respect of operating leases are charged against operating profit as incurred.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Pensions

The Company has no pension scheme. The UK main pension fund is held within AVO International Limited (a subsidiary undertaking) and is a contributory, defined benefit, externally funded scheme which is contracted out of the UK state scheme. The fund is valued regularly by professionally qualified independent actuaries.

Contributions to the fund are charged to the profit and loss account in accordance with the long-term funding rate as advised by the actuaries.

The scheme was closed to new employees on 4 April 2000. A new UK defined contribution scheme, contracted in to the UK State scheme was opened on 1 October 2000 to both existing and new employees.

AVO USA provides a cash balance defined contribution savings plan and a defined benefit retirement plan that covers all US employees. For the defined contribution plan, participants may contribute up to 20% of their aggregate compensation, as defined. AVO matches \$.50 of each dollar of elective contributions made, up to the first 6% of a participant's aggregate compensation. Contributions made by AVO USA Inc to the savings plans during 2000 and 1999 were approximately \$309,000 and \$348,000, respectively.

Deferred Income

Deferred income is being released to operating profit over the period of the expected economic lives of the assets to which it relates.

1. Principal Activity and Analysis of Results

The principal activity of the group is the design, manufacture, marketing and distribution of a range of electrical and electronic testing and measuring instruments. In the opinion of the Directors this represents one class of business. The turnover and profit before tax of this activity is set out in the Consolidated Profit and Loss Account on page 5.

	2000 £'000	1999 £'000
Geographical Analysis of Turnover by Destination		
United Kingdom	7,555	5,999
Europe (excluding the U.K.)	4,146	4,270
The Americas	34,597	26,844
Rest of World	6,453	6,908
	<u>52,571</u>	<u>44,021</u>

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. Operating profit

	2000 £'000	1999 £'000
Operating profit is stated after charging/(crediting):		
Amortisation of goodwill	741	762
Depreciation of tangible fixed assets		
- owned assets	1,627	1,762
- under finance leases	113	184
Hire of plant and equipment	583	374
Other operating leases	704	737
Redundancy and re-organisation costs	2	470
Auditors' remuneration:		
- audit services	105	96
- non-audit services	128	89
Release of deferred income	-100	-100
Profit on sale of tangible fixed assets	-102	-522
Research and development expenditure	3,223	2,649

The audit fee for the Company was £5,000 (1999: £5,000)

3. Emoluments of Directors

	2000 £'000	1999 £'000
Aggregate emoluments (excluding payments to the group's defined benefit pension scheme)	207	-
Company contributions to money purchase pension schemes	-	-
Aggregate	<u>207</u>	<u>-</u>

Retirement benefits are accruing to 2 (1999: 2) Directors under a defined benefit scheme, and to 1 (1999: 2) Directors under money purchase pension schemes.

The emoluments, excluding contributions to the group's defined benefit pension scheme, of the highest paid Director of the Company are detailed below:

	2000 £'000	1999 £'000
Aggregate emoluments (excluding payments to the group's defined benefit pension scheme)	119	-
Company contributions to money purchase pension schemes	-	-
Accrued pension (under the group's defined benefit pension scheme) at the end of the year	42	-

In 1999, the Company did not incur Directors' emoluments. The Directors were remunerated by another group company.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

4. Employees

(a) The average number of employees of the group during the period is analysed below:

	2000 Number	1999 Number
USA	312	329
United Kingdom	212	212
Canada	12	12
France	11	10
	<u>547</u>	<u>563</u>

(b) Staff costs

	2000 £'000	1999 £'000
Wages and salaries	13,630	13,288
Social security costs	1,174	1,120
Pension costs	545	1,144
	<u>15,349</u>	<u>15,552</u>

5. Interest Receivable and Similar Income

	2000 £'000	1999 £'000
Bank interest receivable	<u>33</u>	<u>5</u>

6. Interest Payable and Similar Charges

	2000 £'000	1999 £'000
Charges on finance leases	12	27
Interest payable on bank loans and overdrafts	198	378
	<u>210</u>	<u>405</u>

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. Tax on Profit on Ordinary activities

(a) analysis of charge in the period

	2000 £'000	1999 £'000
Current tax:		
UK corporation tax on profits of the period at 30% (1999: 30%)	515	593
Adjustment in respect of prior years	41	488
Overseas Tax	1,765	440
Total current tax (note 7b)	<u>2,321</u>	<u>1,521</u>
Deferred tax:		
Origination and reversal of timing differences	-1,140	-335
Total deferred tax (Note 19)	<u>-1,140</u>	<u>-335</u>
Tax on profits on ordinary activities	<u>1,181</u>	<u>1,186</u>

(b) Factors affecting tax charge for the year.

The tax charge for the year is higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2000 £'000	1999 £'000
Profit on ordinary activities before tax	4,164	2,034
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (1999: 30%).	1,249	610
Effects of:		
Expenses not deductible for tax purposes.	201	226
Capital allowances for period in excess of depreciation.	18	93
Higher tax rates on overseas earnings	212	104
Transfer between deferred and current tax	600	-
Adjustments to tax charge in respect of previous period	41	488
Current tax charge for the period (7a)	<u>2,321</u>	<u>1,521</u>

8. Dividends

	2000 £'000	1999 £'000
During the year dividends of 2.6p pence per share were paid (1999: 44.98 pence)	<u>918</u>	<u>2,699</u>

9. Profit of AVO International Holdings Limited (Company)

AVO International Holdings Limited has taken advantage of the legal dispensation under Section 230 of the Companies Act 1985 allowing it not to publish a separate profit and loss account. The profit for the period attributable to shareholders of the Company dealt with in these accounts is £801,000 (1999 – loss of £157,000).

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

10. Intangible Assets

	Group	
	2000	1999
	£'000	£'000
<u>Goodwill</u>		
Balance at beginning of year	4,346	5,059
Translation adjustments	138	49
Additions (see note 30)	52	-
Amortisation for period	-741	-762
Balance at end of year	3,795	4,346

The goodwill arising on the acquisition of AVO Limited and its subsidiary undertakings is being amortised over 15 years.

11. Investment in Group Undertakings

	Company	
	2000	1999
	£'000	£'000
Shares in Group undertakings		
At cost at beginning of year	16,238	16,238
Additions	26,000	-
At end of year	42,238	16,238

The following is a list of trading subsidiaries included in the group accounts.

<u>Name of company and of country of incorporation and operation</u>	<u>Description of shares held</u>	Proportion of nominal value shares and voting rights held <u>directly by:</u>	
		<u>Company</u>	<u>Subsidiaries</u>
		%	%
AVO Ltd (England)	Ordinary (£1)	100	-
	Preference (£1)	100	-
AVO International Ltd (England)	Ordinary (£1)	-	100
Megger SARL (France)	Ordinary (F100)	-	100
AVO (USA) Inc (USA)	Ordinary	-	100
AVO Multi-Amp Canada Limited	Ordinary	-	100

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

The principal trading activities of the above companies are:-

AVO Ltd - investment holding company.

AVO International Ltd - manufacturers of electrical and electronic measurement instruments.

Megger SARL - distributors of test and measurement equipment in France.

AVO (USA) Inc - manufacturers of electrical and electronic measurement instruments

AVO Multi-Amp Canada Limited - distributors of test and measurement equipment in Canada.

The Company has other wholly owned non-trading subsidiary undertakings.

In the opinion of the Directors, the value of the Company's interests in its subsidiary undertakings is not less than the amount at which they are stated in the balance sheet.

12. Tangible Fixed Assets

<u>Group</u>	Freehold land and buildings £'000	Plant, equipment and motor vehicles £'000	Total £'000
<u>Cost</u>			
At 1 December 1999 (as restated)	10,634	17,859	28,493
Exchange rate adjustments	434	946	1,380
Additions	17	962	979
Disposals	-100	-76	-176
At 30 November 2000	<u>10,985</u>	<u>19,691</u>	<u>30,676</u>
<u>Depreciation</u>			
At 1 December 1999 (as restated)	-3,759	-12,655	-16,414
Exchange rate adjustments	-236	-745	-981
Charge for the period	-250	-1,490	-1,740
Disposals	-	59	59
At 30 November 2000	<u>-4,245</u>	<u>-14,831</u>	<u>-19,076</u>
<u>Net Book Amount</u> - 30 November 2000	<u>6,740</u>	<u>4,860</u>	<u>11,600</u>
<u>Net Book Amount</u> - 30 November 1999	<u>6,875</u>	<u>5,204</u>	<u>12,079</u>

Included within Plant, Equipment and Motor Vehicles are assets with a net book value of £29,000 (1999 £142,000) held under finance leases. The depreciation charge for the year on these assets was £113,000 (1999 £184,000).

Company

The Company does not own any tangible fixed assets.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

13. Capital Expenditure Commitments

Group

	2000 £'000	1999 £'000
Approved expenditure outstanding	<u>344</u>	<u>101</u>

Company

There is no capital expenditure outstanding in respect of the company.

14. Stocks and Work in Progress

The amounts attributable to the different categories are as follows:

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Raw materials and consumables	4,549	3,890	-	-
Work in progress	798	638	-	-
Finished goods and goods for resale	<u>2,794</u>	<u>3,496</u>	<u>-</u>	<u>-</u>
	<u>8,141</u>	<u>8,024</u>	<u>-</u>	<u>-</u>

15. Debtors: Amounts Falling Due Within One Year

	Group		Company	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Trade debtors	10,903	9,684	-	-
Other assets	1,048	740	-	-
Prepayments and other debtors	673	511	-	-
Corporation tax recoverable	<u>-</u>	<u>44</u>	<u>-</u>	<u>68</u>
	<u>12,624</u>	<u>10,979</u>	<u>-</u>	<u>68</u>

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

16. Creditors: Amounts Falling Due Within One Year

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	273	1,769	-	900
Trade creditors	4,843	3,184	-	-
Amounts owed to subsidiary undertakings	-	-	6,624	1,227
Amounts owed to other group undertakings	-	-	-	2,456
Obligations under finance leases	29	155	-	-
Corporation tax	88	-	74	-
Other creditors and accruals	2,611	1,564	244	-
	<u>7,844</u>	<u>6,672</u>	<u>6,942</u>	<u>4,583</u>

17. Creditors: Amounts Falling Due After More Than One Year

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Bank term loan	-	3,202	-	2,310
Amounts owed to other group undertakings	-	8	-	-
Obligations under finance leases	-	29	-	-
Other creditors and accruals	443	239	-	-
	<u>443</u>	<u>3,478</u>	<u>-</u>	<u>2,310</u>

The bank term loan has been drawn down under an optional multi-currency term loan facility which together with a revolving credit line amounting to US\$10.0m gives an overall facility of US\$25.0 million (1999 - US\$25.0 million) which is available to the Company and other companies within the AVO Instruments International BV (the Company's immediate parent) group. The Company, together with other AVO Instruments International BV companies, has guaranteed repayment of the overall borrowings under the facility which at 30 November 2000 amounted to US\$390,000 (1999 - US\$7.7 Million). As security for the facility, the Company has entered into a Memorandum of Deposit whereby it has granted a first equitable charge over its shares in AVO Limited.

In addition, its wholly owned subsidiaries, AVO Limited and AVO International Limited, have both guaranteed the obligations under the facility including the repayment of borrowings together with accrued interest thereon and AVO Limited has entered into a Memorandum of Deposit whereby it has granted to the bank a first equitable charge over its shares in AVO International Limited.

Other AVO Instruments International BV group companies have provided similar guarantees in relation to any liability which may arise under the facility and the Directors are of the opinion that no loss will arise as a result of the above arrangements.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

Bank loans and overdrafts fall due for repayment as follows:

	Group		Company	
	2000	1999	2000	2000
	£'000	£'000	£'000	£'000
Within one year or on demand	273	1,769	-	900
Between one and two years	-	1,310	-	900
Between two and five years	-	1,892	-	1,410
	<u>273</u>	<u>4,971</u>	<u>-</u>	<u>3,210</u>

18. Deferred Income

Group

	2000	1999
	£'000	£'000
Balance brought forward	1,971	2,071
Credit to profit and loss account	-100	-100
Balance carried forward	<u>1,871</u>	<u>1,971</u>

This amount predominantly represents compensation money received from the Department of Transport relating to the group's Dover site as a result of the trunking of the A20 Road. Income is released over the economic lives of the assets to which it relates.

Company

There was no deferred income in respect of the Company.

19. Provisions for Liabilities and Charges

Group

	Deferred Tax (See note 20) £'000
At 1 December 1999	2,198
Foreign exchange translation	136
Credited to the profit and loss account (note 7)	-1,140
At 30 November 2000	<u>1,194</u>

Company

There were no provisions for liabilities and charges in respect of the company.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

20. Deferred Tax

Analysis of provision and potential liability

<u>Group</u>	30 November 2000		30 November 1999	
	Full potential liability £'000	Provision made £'000	Full potential liability £'000	Provision made £'000
Accelerated capital allowances	1,194	1,194	2,211	2,211
Other timing differences	-	-	-13	-13
	<u>1,194</u>	<u>1,194</u>	<u>2,198</u>	<u>2,198</u>

Company

There was no provision or potential liability to deferred tax in respect of the Company.

Due to the group policy of continued ownership of properties, it would be necessary to replace major properties by purchasing similar properties and, in the UK, rollover relief would be available. Accordingly, the potential amount of tax which might arise on the property if it were disposed of at its balance sheet value has not been quantified.

21. Share Capital (Group and Company)

	Authorised		Allotted, called up and fully paid	
	2000 £'000	1999 £'000	2000 £'000	1999 £'000
Ordinary shares of £1 each	<u>36,000</u>	<u>10,000</u>	<u>34,785</u>	<u>8,785</u>

22. Reconciliation of Operating Profit to Cash Flow from Operating Activities

	2000 £'000	1999 £'000
Group operating profit	4,341	2,416
Amortisation of goodwill	741	762
Depreciation	1,740	1,946
Movement on deferred income	-100	-100
Profit on sale of tangible fixed assets	-102	-522
Decrease in stocks	565	1,196
(Increase)/decrease in debtors	-1,004	866
Increase/(decrease) in creditors	3,177	-733
Net cash inflow from operating activities	<u>9,358</u>	<u>5,831</u>

AVO INTERNATIONAL HOLDINGS LIMITED
NOTES TO THE ACCOUNTS (continued)

23. Analysis Net Debt

	At 1 December 1999 £'000	Cashflow £'000	Exchange movement £'000	At 30 November 2000 £'000
Cash	418	-196	6	228
Overdraft balances	-979	815	-109	-273
Debt due within one year	-790	878	-88	-
Debt due beyond one year	-3,202	3,557	-355	-
Finance leases	-184	155	-	-29
Balance at end of year	<u>-4,737</u>	<u>5,209</u>	<u>-546</u>	<u>-74</u>

24. Reconciliation of Net Cash Flow to Movement in Net Debt

	2000 £'000	1999 £'000
Increase in cash in the period	619	247
Cash outflow from decrease in debt and lease financing	4,590	2,325
Change in net debt resulting from cash flows	<u>5,209</u>	<u>2,572</u>
Translation difference	-546	-232
Movement in net debt in the period	<u>4,663</u>	<u>2,340</u>
Net debt at 1 December	<u>-4,737</u>	<u>-7,077</u>
Net debt at 30 November	<u>-74</u>	<u>-4,737</u>

25. Finance Lease Commitments

The Group has the following obligations under finance leases:

	2000 £'000	1999 £'000
Within one year	30	215
Between one and five years inclusive	<u>-</u>	<u>31</u>
	30	246
Finance charges allocated to future periods	<u>-1</u>	<u>-62</u>
	<u>29</u>	<u>184</u>

Company

There were no finance lease commitments in respect of the Company.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (continued)

26. Operating Lease Commitments

The group has the following obligations payable within one year under operating leases which expire:

	2000 £'000	1999 £'000
Within one year	58	329
Between one and five years inclusive	934	266
Over five years	389	389
	<u>1,381</u>	<u>984</u>

These leases relate to the group's fleet of motor cars and certain items of office equipment.

27. Contingent Liabilities and Financial Commitments

Pursuant to AVO (USA) Inc's sale of its Blue Bell facility, AVO and the buyer negotiated an environmental clean-up and testing plan. In the event that the plan does not meet the satisfaction of the buyer, an alternative plan may be implemented whereby AVO would be required to pay the first \$250,000 of costs incurred, with the next \$1,000,000 of costs split between AVO and the buyer. The maximum exposure to the group under the alternative plan is \$750,000.

The company does not believe it probable that the alternative plan could be implemented and therefore, only provided for the costs of the original plan of \$250,000. As the extent of the alternative plan is contingent on the original plan, any further costs cannot be determined and no provision for these costs is held.

An individual in the US is claiming that they received an electric shock on May 11, 1994 while operating a piece of AVO equipment. The group intends to defend this claim. Based on discussions with the group's legal counsel \$200,000 has been provided for as at 30 November 2000.

28. Pensions

An independent actuarial valuation of the U.K. pension scheme was carried out as at 6 April 2000 using the Projected Unit Method. The valuation assumed that the investment return would be 2% p.a. more than the rate of increase in salaries and that present future pensions would increase at the rate of 2.75% p.a. The market value of the scheme investments at the valuation date was £9,115,823 and the valuation showed that the actuarial value of these assets represented a deficit of £1,280,000 below the benefits that had accrued to members at the valuation date after allowing for expected future increases in salaries. The actuary recommended that the rates of contribution should be increased by the employers to 16.4% and for employees to 7% until the next valuation date of 6 April 2002.

The charge for the US pension scheme held for US employees was £203,000 (1999: £214,000).

29. Related Party Transactions

The Company has taken advantage of the 90% owned subsidiary exemption available under Financial Reporting Standard 8 not to disclose related party transactions with any members of the TBG Holdings NV groups.

There are no other related party transactions.

AVO INTERNATIONAL HOLDINGS LIMITED

NOTES TO THE ACCOUNTS (Continued)

30. Acquisitions

During the year the group purchased the assets of Teletraining Inc. The consideration given was \$85,000 payable in cash on completion with deferred consideration of \$90,000.

Goodwill of £52,000 has been recognised which is being written off over 3 years.

31. Post Balance Sheet Events

On 13 December 2000, AVO (USA) Inc signed a letter of intent to acquire certain assets of Interlynx. The group will assume no Interlynx obligations, with the exception of up to \$10,000 of warranty servicing costs.

The consideration given was \$240,000 in cash on completion with deferred consideration of up to \$150,000 in cash payable 30 days from the acquisition date.

The group acquired certain assets of the Metrosonics product lines from Tempo Instruments. The group will assume no Tempo obligations, with the exception of the costs associated with the one year warranty offered by Tempo on the products sold prior to completion of the transactions. This is estimated to be \$50,000.

Consideration comprised of cash of \$1,100,000.

32. Ultimate Holding Company

The Directors regard TBG Holdings NV, a company incorporated in the Netherlands Antilles, as the Company's ultimate holding company, and the only company in the group for which group accounts, including those of the Company, are prepared.