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AVO INTERNATIONAL HOLDINGS LIMITED

Report and Accounts

30 November 2001



AVO International Holdings Limited

Registered No. 2582519

DIRECTORS

C P Burns (resigned 7 September 2001)
P H Frank
A R Hardie

SECRETARY

A R Hardie

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

Archcliffe Road
Dover
Kent

DIRECTORS' REPORT

The directors present their report and accounts of the group for the year ended 30 November 2001.

RESULTS AND DIVIDENDS

The group profit for the year after taxation amounted to £438,000 (2000 - £4,164,000). An amount of £2,662,000 was transferred from reserves (2000 - £2,065,000 transferred to reserves). The dividend declared, but not paid, for the year was £3,100,000 (2000 - £918,000 declared and paid).

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the group during the year continued to be the manufacture, marketing and distribution of electrical and electronic testing and measuring instruments.

DIRECTORS AND THEIR INTERESTS IN SHARES OR DEBENTURES

The directors during the year were as follows:

C P Burns (resigned 7 September 2001)
P H Frank
A R Hardie

No director at any time during the year ended 30 November 2001 (2000 - £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.

UK 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.

DIRECTORS' REPORT

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

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

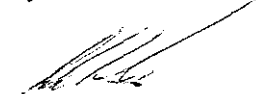
CREDITOR PAYMENT POLICY AND PRACTICE

It is the company's 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 represents 61 days (2000 - 60 days) of average annual purchases.

AUDITORS

Ernst & Young LLP were appointed by the directors as the auditors during the year. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Secretary

06/03/02

AVO International Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 group and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the shareholders of AVO International Holdings Limited

We have audited the company's accounts for the year ended 30 November 2001 which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet, statement of cash flows and the related notes 1 to 32. These accounts have been prepared on the basis of the accounting policies set out therein.

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 accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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 Companies Act 1985. 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 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 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 of the group as at 30 November 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Ernst & Young LLP
Registered Auditor
London

14 March 2002

AVO International Holdings Limited

GROUP PROFIT AND LOSS ACCOUNT for the year ended 30 November 2001

	Notes	2001 £000	2000 £000
TURNOVER	1	53,110	52,751
Cost of sales		(29,990)	(29,280)
Gross profit		23,120	23,471
Distribution costs		(10,383)	(9,840)
Administrative expenses		(10,697)	(8,512)
Other operating expenditure		(675)	(778)
OPERATING PROFIT	3	1,365	4,341
Interest receivable and similar income	6	22	33
Interest payable and similar charges	7	(46)	(210)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		1,341	4,164
Tax on profit on ordinary activities	8	(903)	(1,181)
PROFIT FOR THE FINANCIAL YEAR		438	2,983
Dividends	9	(3,100)	(918)
AMOUNT TRANSFERRED TO/(FROM) RESERVES		(2,662)	2,065

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2001 £000	2000 £000
Profit for the financial year	438	2,983
Currency translation differences on foreign currency net investments	65	1,444
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	503	4,427

AVO International Holdings Limited

GROUP BALANCE SHEET at 30 November 2001

	Notes	2001 £000	2000 £000
FIXED ASSETS			
Intangible assets	11	3,220	3,795
Tangible assets	12	9,121	11,600
Investment in group undertakings	13	-	-
		<u>12,341</u>	<u>15,395</u>
CURRENT ASSETS			
Stocks and work in progress	15	9,314	8,141
Debtors	16	10,386	12,624
Cash at bank and in hand		3,345	228
		<u>23,045</u>	<u>20,993</u>
CREDITORS: amounts falling due within one year	17	<u>(11,831)</u>	<u>(7,844)</u>
NET CURRENT ASSETS		<u>11,214</u>	<u>13,149</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,555</u>	<u>28,544</u>
CREDITORS: amounts falling due after more than one year	18	(92)	(443)
DEFERRED INCOME	19	-	(1,871)
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred tax	20	(1,024)	(1,194)
		<u>22,439</u>	<u>25,036</u>
CAPITAL AND RESERVES			
Called up share capital	23	34,785	34,785
Profit and loss account	24	13,651	16,248
Other reserves		(25,997)	(25,997)
EQUITY SHAREHOLDERS' FUNDS		<u>22,439</u>	<u>25,036</u>

Pete H. Frank
[Signature]

} Directors

06/02/02

AVO International Holdings Limited

BALANCE SHEET at 30 November 2000

	Notes	2001 £000	2000 £000
FIXED ASSETS - Investments in group undertakings	13	42,238	42,238
NET CURRENT LIABILITIES - amounts falling due within one year	17	(6,977)	(6,942)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>35,261</u>	<u>35,296</u>
CAPITAL AND RESERVES			
Called up share capital	23	34,785	34,785
Profit and loss account	24	476	511
EQUITY SHAREHOLDERS' FUNDS		<u>35,261</u>	<u>35,296</u>

Pete H. Frans

} Directors

[Signature]

October

AVO International Holdings Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 30 November 2001

	<i>Notes</i>	<i>2001</i> <i>£000</i>	<i>2000</i> <i>£000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	25	3,778	9,358
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid		(43)	(198)
Interest element of finance lease rentals		(3)	(12)
Interest received		22	33
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(24)	(177)
TAXATION		(1,116)	(2,242)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets		(1,334)	(979)
Receipts from sales of tangible fixed assets		348	219
Acquisition of intangible assets		(202)	(52)
CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		(1,188)	(812)
EQUITY DIVIDENDS PAID		-	(918)
FINANCING			
Repayments of bank borrowings	22	-	(4,435)
Payments of the capital element of finance leases	22	(28)	(155)
CASH OUTFLOW FROM FINANCING		(28)	(4,590)
INCREASE IN CASH IN THE PERIOD		1,422	619

AVO International Holdings Limited

GROUP STATEMENT OF CASH FLOWS for the year ended 30 November 2001

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Notes</i>	<i>2001</i> £000	<i>2000</i> £000
INCREASE IN CASH		1,422	619
Cash outflow from decrease in debt and lease financing		28	4,590
Change in net debt resulting from cash flows		1,450	5,209
Translation difference		113	(546)
MOVEMENT IN NET FUNDS IN THE YEAR		1,563	4,663
NET DEBT AT 1 DECEMBER	22	(74)	(4,737)
NET FUNDS/(DEBT) AT 30 NOVEMBER		1,489	(74)

AVO International Holdings Limited

NOTES TO THE ACCOUNTS at 30 November 2001

1. 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.

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 acquisition 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.

Depreciation

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.

Fixed assets (excluding goodwill)

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

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value as follows:

Raw materials, consumables and goods for resale	-	purchase cost on a first-in, first-out basis.
Work in progress and finished goods	-	cost of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

1. ACCOUNTING POLICIES (continued)

Taxation

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

NOTES TO THE ACCOUNTS
at 30 November 2001

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.

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.

Leased assets

Assets held under finance leases are treated as tangible fixed assets and depreciation provide 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 operating leases are charged against operating profit as incurred.

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 International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

1. ACCOUNTING POLICIES (continued)

Pensions (continued)

AVO USA provides a cash balance defined contribution savings plan for all US employees and a defined benefit retirement plan for some employees. For the cash balance plan AVO contributes 4% of eligible earnings. For the defined contribution plan, participants may contribute up to 20% of their aggregate compensation, as defined, and 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 2001 and 2000 were approximately \$354,000 and \$309,000, 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.

2. 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 6.

An analysis of turnover by geographical market is given below:

	2001 £000	2000 £000
United Kingdom	6,325	7,555
Europe (excluding the UK)	5,052	4,146
The Americas	33,421	34,597
Rest of World	8,312	6,453
	<u>53,110</u>	<u>52,571</u>

3. OPERATING PROFIT

This is stated after charging/(crediting):

	2001 £000	2000 £000
Amortisation of goodwill	1,155	741
Depreciation of tangible fixed assets - owned assets	1,596	1,627
- under finance leases	28	113
Hire of plant and equipment	456	583
Other operating leases - land & buildings	414	-
- motor cars & office equipment	605	704
Redundancy and re-organisation costs	52	2
Auditors' remuneration - audit services	91	105
- non audit services	-	128
Release of deferred income	(1,871)	(100)
Profit on sale of tangible fixed assets	20	(102)
Research and development expenditure	4,771	3,223
	<u></u>	<u></u>

AVO International Holdings Limited

NOTES TO THE ACCOUNTS at 30 November 2001

4. DIRECTORS' REMUNERATION

	2001 £000	2000 £000
Aggregate emoluments (excluding payments to the group's defined benefit pension scheme)	305	207
Company contributions to money purchase pension schemes	47	-
	<u>No.</u>	<u>No.</u>
Members of defined benefit pension schemes	2	2
Members of money purchase pension schemes	1	1

The amounts in respect of the highest paid director are as follows:

	2001 £000	2000 £000
Aggregate emoluments (excluding payments to the group's defined benefit pension scheme)	210	119
Accrued pension (under the group's defined benefit pension scheme) at the end of the year	49	42

5. STAFF COSTS

	2001 £000	2000 £000
Wages and salaries	15,163	13,630
Social security costs	1,350	1,174
Other pension costs	534	545
	<u>17,047</u>	<u>15,349</u>

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

	2001 No.	2000 No.
USA	322	312
United Kingdom	223	212
Canada	12	12
France	11	11
	<u>568</u>	<u>547</u>

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001	2000
	£000	£000
Bank interest receivable	22	33

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2001	2000
	£000	£000
Charges on finance leases	3	12
Interest payable on bank loans and overdrafts	43	198
	46	210

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

Based on the profit for the year:

	2001	2000
	£000	£000
Current tax:		
UK corporation tax	813	515
Adjustment in respect of prior years	-	41
Overseas tax	260	1,765
	1,073	2,321
Deferred tax:		
Original and reversal of timing differences	(170)	(1,140)
Tax on profits on ordinary activities	903	1,181

9. DIVIDENDS

	2001	2000
	£000	£000
During the year dividends of 8.9 pence per share were declared (2000 - 2.6 pence)	3,100	918

10. 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 year attributable to shareholders of the Company dealt with in these accounts is £3,065,000 (2000 - £801,000)

AVO International Holdings Limited

NOTES TO THE ACCOUNTS at 30 November 2001

11. INTANGIBLE FIXED ASSETS

<i>Group</i>	<i>Goodwill</i>	
	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
At 1 December 2000	3,795	4,346
Translation adjustments	7	138
Additions (see note 31)	202	52
Reclassified	371	-
Amortisation for period	(1,155)	(741)
At 30 November 2001	3,220	3,795

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

12. TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Freehold</i>	<i>Plant,</i>	<i>Total</i>
	<i>land and</i>	<i>equipment</i>	
	<i>buildings</i>	<i>and motor</i>	
	<i>£000</i>	<i>vehicles</i>	<i>£000</i>
Cost:			
At 1 December 2000 (restated)	11,965	18,711	30,676
Additions	8	1,326	1,334
Disposals	(2,955)	(576)	(3,531)
Translation Adjustments	2	-	2
At 30 November 2001	9,020	19,461	28,481
Depreciation:			
At 1 December 2000 (restated)	(4,306)	(14,770)	(19,076)
Provided during the year	(244)	(1,380)	(1,624)
Disposals	704	688	1,392
Translation Adjustments	(6)	(46)	(52)
At 30 November 2001	(3,852)	(15,508)	(19,360)
Net book value:			
At 30 November 2001	5,168	3,953	9,121
At 1 December 2000	6,740	4,860	11,600

The net book value of plant, equipment and motor vehicles above includes an amount of £2,000 (2000 - £29,000) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge for the year on these assets was £28,000 (2000 - £113,000).

The analysis of bought forward balances at 1st December 2000 have been restated following the correction of an error in the accounts of the categorisation of the 1991 fair value adjustments. This restatement was merely an adjustment in the analysis of the total values between land & buildings and equipment & motor vehicles and has had no effect on the current years profit or on shareholders funds.

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

Company

The company does not own any tangible fixed assets.

13. INVESTMENTS IN GROUP UNDERTAKINGS

<i>Company</i>	<i>2000</i>
	<i>£000</i>
Cost:	
At 1 December 1999	16,238
Additions	26,000
At 1 December 2000 and 30 th November 2001	42,238

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

<i>Name of company</i>	<i>Country of incorporation if not Great Britain</i>	<i>Shares held</i>	<i>Proportion of nominal value of shares and voting rights held directly by</i>		<i>Nature of Business</i>
			<i>Company</i>	<i>Subsidiaries</i>	
AVO Limited		Ordinary £1 Preference £1	100% 100%	- -	Investment holding company
AVO International Limited		Ordinary £1	-	100%	Manufacturers of electrical and electronic measurement instruments
Megger SARL	France	Ordinary F100	-	100%	Distributors of test and measurement equipment
AVO (USA) Inc	USA	Ordinary	-	100%	Manufacturers of electrical and electronic measurement instruments
AVO Multi-Amp Canada Limited		Ordinary	-	100%	Distributors of test and measurement equipment

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.

14. CAPITAL EXPENDITURE COMMITMENTS

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Approved expenditure outstanding	129	344

Company

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

AVO International Holdings Limited

NOTES TO THE ACCOUNTS at 30 November 2001

15. STOCKS

The amounts attributable to the different categories are as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	5,580	4,549	-	-
Work in progress	692	798	-	-
Finished goods and goods for resale	3,042	2,794	-	-
	<u>9,314</u>	<u>8,141</u>	<u>-</u>	<u>-</u>

16. DEBTORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade debtors	8,946	10,903	-	-
Other assets	591	1,048	-	-
Prepayments and other debtors	676	673	-	-
Corporation tax recoverable	173	-	-	-
	<u>10,386</u>	<u>12,624</u>	<u>-</u>	<u>-</u>

17. CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank overdraft (secured)	1,855	273	-	-
Trade creditors	4,232	4,843	-	-
Amounts owed to subsidiary undertakings	-	-	3,704	6,624
Dividends declared but not paid	3,100	-	3,100	-
Obligations under finance leases	1	29	-	-
Corporation tax	219	88	168	74
Other creditors and accruals	2,424	2,611	5	244
	<u>11,831</u>	<u>7,844</u>	<u>6,977</u>	<u>6,942</u>

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

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Bank term loan	-	-	-	-
Obligations under finance leases	-	-	-	-
Other creditors and accruals	92	443	-	-
	<u>92</u>	<u>443</u>	<u>-</u>	<u>-</u>

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

18. CREDITORS: amounts falling due after more than one year (continued)

A revolving credit line amounting to US\$6 million (2000 - US\$10.0 million) is available to the Company and other companies within the AVO International Holdings Limited group. The Company, together with other AVO International Holdings Limited companies, has guaranteed repayment of the overall borrowings under the facility which at 30 November 2001 amounted to US\$1,855,000 (2000 - US\$390,000). 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, AVO International Instruments Inc and AVO MultiAmp Canada Limited.

The Directors are of the opinion that no loss will arise as a result of the above arrangements.

Bank loans and overdrafts fall due for repayment as follows:

	<i>Group</i>		<i>Company</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Amounts repayable:				
within one year or on demand	1,183	273	-	-
between one and two years	-	-	-	-
between two and five years	-	-	-	-
	<u>-</u>	<u>273</u>	<u>-</u>	<u>-</u>

19. DEFERRED INCOME

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
At 1 December	1,871	1,971
Credit to profit and loss account	(100)	(100)
Released to profit and loss account	(1,771)	-
At 30 November	<u>-</u>	<u>1,871</u>
<i>Company</i>		
There was no deferred income in respect of the Company.		

20. PROVISIONS FOR LIABILITIES AND CHARGES

<i>Group</i>	<i>Deferred tax</i>
	<i>£000</i>
At 1 December 2000	1,194
Credited to the profit and loss account (note 8)	(170)
At 30 November 2001	<u>1,024</u>
<i>Company</i>	
There were no provisions for liabilities and charges in respect of the company.	

AVO International Holdings Limited

NOTES TO THE ACCOUNTS at 30 November 2001

21. DEFERRED TAX

<i>Group</i>	<i>Full potential liability</i>		<i>Provision made</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Accelerated capital allowances	1,024	1,194	1,024	1,194
Other timing differences	-	-	-	-
	<u>1,024</u>	<u>1,194</u>	<u>1,024</u>	<u>1,194</u>

Company

There were 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.

22. ANALYSIS OF NET DEBT

	<i>At</i>		<i>At</i>
	<i>1 December</i>		<i>30 November</i>
	<i>2000</i>	<i>Cash flow</i>	<i>2001</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash	228	3,004	3,345
Overdraft balances	(273)	(1,582)	(1,855)
	<u>(45)</u>	<u>1,422</u>	<u>1,490</u>
Finance leases	(29)	28	(1)
	<u>(74)</u>	<u>1,450</u>	<u>1,489</u>

23. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	36,000	36,000	34,785	34,785

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

24. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

<i>Group</i>	<i>Called up share capital £000</i>	<i>Profit and loss account £000</i>	<i>Other reserves £000</i>	<i>Total £000</i>
As at 30 November 1999 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)
Operating 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
Profit for the financial year	-	438	-	438
Dividends paid and payable	-	(3,100)	-	(3,100)
Currency translation differences	-	65	-	65
Merged shareholders' funds at 30 November 2001	34,785	13,651	(25,997)	22,439

Other reserves represent the merger of reserve of £25,997,000 arising as a result of the group reconstruction that took place in the year 2000.

<i>Company</i>	<i>Called up share capital £000</i>	<i>Profit and loss accounts £000</i>	<i>Total £000</i>
At 30 November 1999	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)
At 30 November 2000	34,785	511	35,296
Profit for the financial year (note 9)	-	3,065	3,065
Dividends paid and payable	-	(3,100)	(3,100)
At 30 November 2001	34,785	476	35,261

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

25. NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of operating profit to net cash inflow from operating activities:

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Operating profit	1,365	4,341
Add back non-cash items included in operating profit		
Amortisation of goodwill	1,155	741
Depreciation	1,624	1,740
Movement on deferred income	(100)	(100)
Profit on sale of tangible fixed assets	20	(102)
Decrease in stocks	(1,173)	565
(Increase)/decrease in debtors	2,044	(1,004)
Increase/(decrease) in creditors	(1,157)	3,177
	<u>3,778</u>	<u>9,358</u>

26. FINANCIAL LEASE COMMITMENTS

The Group has the following obligations under finance leases as follows:

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Operating leases which expire:		
within one year	1	30
between one and five years inclusive	-	-
	<u>1</u>	<u>30</u>
Finance charge allocated to future periods	0	(1)
	<u>1</u>	<u>29</u>

Company

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

27. OPERATING LEASE COMMITMENTS

<i>Group</i>	<i>2001</i>	<i>2000</i>
	<i>£000</i>	<i>£000</i>
Land & Buildings - Operating leases which expire:		
within one year	-	-
between one and five years inclusive	338	
over five years	390	389
	<u>728</u>	<u>389</u>
Motor Cars & Office Equipment - Operating leases which expire:		
within one year	160	58
between one and five years inclusive	589	934
over five years	-	-
	<u>749</u>	<u>934</u>

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

27. OPERATING LEASE COMMITMENTS (continued)

Company

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

28. CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

Pursuant to AVO (USA) Inc's sales of its Blue Bell facility, AVO and the buyer negotiated an environmental clean-up and testing plan. This plan has now been fully implemented and official clearance given by the Pennsylvania Department of the Environment. The cash held in escrow has been released to the company and no further provisions are required.

An individual in the US is claiming that he received an electric shock on 11 May 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.

29. PENSIONS

An independent actuarial valuation of the UK pension scheme was carried out as at 6 April 1999 using the Projected Unit Method. The valuation assumed that the investment return would be 2% per annum more than the rate of increase in salaries and that present and future pensions would increase at the rate of 2.75% per annum. 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 £ 109,000 (2000 - £203,000).

The group has continued to account for pensions in accordance with SSAP 24. The disclosures given below are those required by the transitional implementation of FRS 17 (Retirement Benefits). Full implementation of FRS 17 is required from 30 November 2003.

Defined benefit scheme in the UK - valuation under FRS17

Discount rate	6.0%
Inflation assumption	2.5%
Rate on increase in salaries	4.5%
Rate of increase to pensions	2.0%

The plan assets in the scheme and the expected rate of return were:

	<i>Expected long term Rate of return %</i>	<i>Value at 30 November 2001 £'000s</i>
Equities	7	6,968
Corporate bonds	5	1,294
Cash	4	100
Total market value of scheme assets		8,362
Present value of scheme liabilities		(9,050)
Deficit in the scheme		(688)
Deferred tax asset		206
Net pension liability		<u>(482)</u>

AVO International Holdings Limited

NOTES TO THE ACCOUNTS

at 30 November 2001

Defined benefit scheme in the US – valuation under FRS17

The principal disclosures for the defined benefit scheme in the US are as follows:

Discount rate	7.0%
Inflation assumption	3.0%
Rate on increase in salaries	3.0%
Rate of increase to pensions	3.0%

The plan assets in the scheme and the expected rate of return were:

	<i>Expected long term Rate of return %</i>	<i>Value at 30 November 2001 £'000s</i>
Equities	8.5	4,839
Cash	-	<u>69</u>
Total market value of scheme assets		4,908
Present value of scheme liabilities		<u>(2,953)</u>
Surplus in the scheme		1,955
Deferred tax liability		<u>(684)</u>
Net pension asset		<u>1,271</u>

30. RELATED PARTY TRANSACTIONS

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

There are no other related party transactions.

31. ACQUISITIONS

During the year the group purchased the assets of Interlynx Inc. The consideration given was \$390,000 payable in cash on completion. Goodwill of £202,000 has been recognised which is being written off over 4 years.

The group also purchased those assets of Tempo Inc that were associated with their power quality line. The consideration payable in cash on completion was \$976,000. There was no goodwill associated with this acquisition.

32. ULTIMATE HOLDING COMPANY

TBG Holdings NV incorporated in the Netherlands Antilles is the parent of the largest group of which the Company is a member and for which group accounts are prepared, and is regarded by the directors as the ultimate parent company. NV Hollandsch-Amerikaansche Beleggingsmaatschappij Holland-American Investment Corporation incorporated in the Netherlands is the parent of the smallest group for which group accounts are prepared. Copies of the accounts of NV HAIC can be obtained from NV Hollandsch-Amerikaansche Beleggingsmaatschappij Holland American Investment Corporation, P.O.Box 218, 1180 AE Amstelveen, Netherlands