Company Registration No. 3939840

ALstec
systems technology

Alstec Group Limited

Report and Financial Statements

31 March 2002

29/10/02 158

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REPORT AND FINANCIAL STATEMENTS 2002

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CHAIRMAN'S STATEMENT

I am delighted to report that during the second year of trading the Group has further consolidated its position in the markets which it serves and continues to build on the good relationships that have been established with all of its key clients.

The fall in turnover during the year was predicted and was due to the completion of three major contracts in the Thermal sector where the Group was contracted to its former parent ALSTOM. As anticipated, no new orders have been taken in this market since the buy out.

The reduction in turnover did not affect operating profitability which, before the treatment of goodwill, increased substantially reflecting the exceptional efforts of all of our staff in a generally difficult economic climate.

A key financial milestone achieved in the year was the repayment of the long-term investor loans from the strong operating cashflow over the two-year period since the buy out. The Group is now debt free.

Other significant events in the year included:

- The successful completion of a major nuclear decommissioning project and the further under pinning of our market position in the Nuclear sector with the securing of several long term partnering/alliance based contracts for the provision of a variety of support services with several of our key clients.

- During the year we developed our relationship with BAA to the point of managing the majority of their automated baggage handling at Heathrow Airport.

  The Airports market experienced a period of turmoil following the terrorist attacks in America, which had the effect of delaying some UK airport projects. Nevertheless, following the return of passenger volumes to more normal levels these projects are now progressing and the delays are not expected to adversely affect the year 2002/03 results of ALSTEC.

  As a proven provider of secure baggage screening systems in Europe, the Group is now discussing with potential partners the prospect of becoming increasingly involved in the upgrading of baggage security systems in the USA.

- In France the Group has reinforced its position as an Airports baggage handling supplier by securing new orders in a number of French regional and territorial airports.

  Our commitment to the French business was further endorsed by the approval of the Board to the development of new office facilities in Orléans, which were also completed and occupied in the year.

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CHAIRMAN'S STATEMENT

- The Defence business has performed solidly in the year and maintained its position as a provider of high quality submarine pumps.

The future growth prospects for the Group are constantly under review with the Investors and will involve the establishment of long term relationships with partners to both open up new opportunities and further consolidate our position in the markets we serve. An example of this is the recently signed RSO alliance agreement with Magnox Electric plc. In addition, the Group has examined several possible acquisitions of companies in the Airports & Logistics and Nuclear markets, although there are currently no specific target companies under review.

During the year a nominal dividend of £6,300 has been paid to the holders of "A" class shares. In accordance with the Articles, a further dividend of £285,250 is proposed for payment to the holders of "A" class shares.

I look forward with confidence to further successful years for ALSTEC.

S.J. Doughty
Chairman

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Melling
G Wesley
P Naylor
K Lawrence
S Doughty

SECRETARY

G Wesley

REGISTERED OFFICE

Cambridge Road
Whetstone
Leicester
LE8 6LH

AUDITORS

KPMG Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

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DIRECTORS' REPORT

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

ACTIVITIES

The Company is a holding company for a number of businesses involved in the provision of engineered solutions and services to a world-wide customer base in the areas of Airports, Logistics, Defence Systems, Nuclear and Thermal Power.

REVIEW OF DEVELOPMENTS

Turnover for the year was £85,263,000 (31 March 2001 - £126,945,000) on which a profit of £4,814,000 (31 March 2001 - £7,523,000) was made.

A full review of the group's progress in the year is provided in the Chairman's statement on Page 1.

DIVIDENDS AND TRANSFERS TO RESERVES

A dividend of £6,300 (31 March 2001 - £6,300) has been paid during the year on the 'A' Ordinary shares. The directors recommend that a further dividend of £285,250 be paid on the 'A' Ordinary shares. The retained profit for the year of £4,522,000 (31 March 2001 - £7,517,000) has been added to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

M R Melling

G Wesley

P Naylor

K Lawrence

S Doughty

The directors who held office at 31 March 2002 held the following interests in the 'B' Ordinary shares of the Company:

	31 March 2002	**31 March 2001**
M R Melling	100,000	100,000
G Wesley	100,000	100,000
S Doughty	20,000	20,000

Approved by the Board of Directors
and signed on behalf of the Board

Secretary

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss 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
- state whether applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Alstec Group Limited

We have audited the financial statements on pages 7 to 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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 group'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 and the group as at 31 March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

KPMG

Chartered Accountants

Registered Auditors

Leicester

31 May 2002

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CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year Ended 31 March 2002

	Note	Year ended 31 March 2002 £000	6 March 2000 to 31 March 2001 £000
TURNOVER	2	85,263	126,945
Cost of sales		(68,257)	(106,251)
Gross profit		17,006	20,694
Selling and marketing costs		(4,708)	(5,602)
Administrative expenses		(4,859)	(5,108)
		(9,567)	(10,710)
OPERATING PROFIT		7,439	9,984
Bank interest receivable		515	388
Interest payable and similar charges	4	(2,123)	(1,440)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	5,831	8,932
Tax on profit on ordinary activities	6	(1,017)	(1,409)
PROFIT FOR THE FINANCIAL YEAR		4,814	7,523
Dividends	7	(292)	(6)
RETAINED PROFIT FOR THE YEAR	17	4,522	7,517

All activities derive from continuing operations.

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GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year Ended 31 March 2002

	Year ended 31 March 2002 £000	6 March 2000 to 31 March 2001 £000
Profit for the financial year	4,814	7,523
Exchange differences on retranslation of net assets of subsidiary undertakings	9	-
Total recognised gains and losses relating to the year	4,823	7,523

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BALANCE SHEET
31 March 2002

	Note	31 March 2002 £000		31 March 2001 £000	
		Company	Group	Company	Group
FIXED ASSETS					
Negative goodwill	8	-	-	-	(1,861)
Investments in subsidiaries	9	2,298	-	2,298	-
Tangible assets	10	-	3,806	-	2,471
		2,298	3,806	2,298	610
CURRENT ASSETS					
Stocks	11	-	7,999	-	11,049
Debtors	12	2,012	19,790	8,192	39,176
Cash at bank and in hand		2	6,205	294	16,014
		2,014	33,994	8,486	66,239
CREDITORS: amounts falling due within one year	13	(3,623)	(22,032)	(121)	(46,980)
NET CURRENT ASSETS/(LIABILITIES)		(1,609)	11,962	8,365	19,259
TOTAL ASSETS LESS CURRENT LIABILITIES		689	15,768	10,663	19,869
CREDITORS: amounts falling due after more than one year	14	-	(1,721)	(10,137)	(10,137)
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	(1,691)	-	(1,907)
		689	12,356	526	7,825
CAPITAL AND RESERVES					
Called up share capital	16	94	94	94	94
Share Premium	17	214	214	214	214
Profit and loss account	17	381	12,048	218	7,517
SHAREHOLDERS' FUNDS	18	689	12,356	526	7,825

These financial statements were approved by the Board of Directors on 30 May 2002

Signed on behalf of the Board of Directors

Director

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Consolidated Cash Flow statement
Year Ended 31 March 2002

	Note	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Net cash inflow from operating activities	19	2,797	18,895
Returns on investment and servicing of finance	20	(696)	(859)
Taxation		(1,148)	(498)
Capital expenditure	20	(601)	(659)
Acquisitions	20	-	(11,304)
Equity dividends paid		(6)	(6)
Net cash inflow before financing		346	5,569
Net cash inflow/(outflow) from financing	20	(10,155)	10,445
Increase/(Decrease) in cash in the year		(9,809)	16,014

	Note		Year ended 31 March 2002 £000		Period ended 31 March 2001 £000
Reconciliation of net cash flow to movement in net funds					
Increase/(Decrease) in cash in the year		(9,809)		16,014	
New finance leases		(1,811)		-	
Decrease/(Increase) in borrowings		10,155		(10,137)	
Movement in net funds in the year			(1,465)		5,877
Net funds at 1 April			5,877		-
Net funds at 31 March	21		4,412		5,877

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable UK accounting standards. The following accounting policies have been consistently applied to matters which are considered material to the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention.

Basis of consolidaton

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 March 2002. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The Company's profit for the financial period was £455,000 (31 March 2001 - £224,000).

Tangible fixed assets

Fixed assets are shown at costs, net of depreciation and provision for permanent diminution in value.

Depreciation is provided at rates calculated to write-off the cost, less estimated residual value, of each asset on a straight line basis over its estimated useful economic life as follows:

Buildings	5% per annum
IT equipment	33.33% per annum
Plant and machinery	20% per annum
Fixtures and fittings	20% per annum
Motor vehicles	25% per annum

Residual value is calculated based on prices prevailing at the date of acquisition.

Goodwill and negative goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions will be capitalised and amortised to nil by equal annual instalments over its estimated useful life.

Negative goodwill arising on consolidation is included within fixed assets and released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased on the same acquisition are recovered, whether through depreciation or sale.

On the subsequent disposal or termination of a business, the profit or loss on disposal or termination will be calculated after charging (crediting) the unamortised amount of any related goodwill or (negative goodwill).

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

Long term contracts

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at cost incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in debtors and represent turnover recognised in excess of payments on account.

Taxation

Corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies may be reduced, wholly or in part, by the surrender of losses by fellow group companies. The tax benefits arising from such group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred taxation, which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities, has been calculated using the liability method. Deferred tax is provided on timing differences that will reverse at the rates of tax likely to be in force at the time of reversal.

Pension costs

It is the general policy of the group to recognise the cost of providing pensions on a systematic and rational basis over the period during which the group benefits from the services of the employees.

Foreign currency

Transactions denominated in foreign currencies are recorded in local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

The assets and liabilities and profit and loss accounts of overseas foreign subsidiary undertakings are translated at the closing exchange rates. Gains and losses arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Turnover

Turnover, other than that relating to long-term contracts, comprises the value of amount invoiced (excluding trade discounts, VAT and similar taxes) for goods and services provided in the normal course of business.

Investment in Subsidiaries

In the company's financial statements, investments in subsidiary undertakings are stated at cost, less any provision required to reflect a diminution in value.

Leases

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

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

Research and development

Expenditure on research and development is written off in the period in which it is incurred.

2. SEGMENTAL INFORMATION

In the opinion of the Directors, the group operates one class of business, being the provision of engineered solutions and services to a range of sectors.

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Geographical analysis of turnover by origin is as follows:		
United Kingdom	71,541	111,242
Europe	13,722	15,703
	85,263	126,945
Geographical analysis of turnover by destination is as follows:		
United Kingdom	51,717	58,617
Europe	11,676	8,275
Asia	16,764	50,578
Rest of World	5,106	9,475
	85,263	126,945
Geographical analysis of profit before tax by origin is as follows:		
United Kingdom	5,508	8,769
Europe	323	163
	5,831	8,932
Geographical analysis of net assets by origin is as follows:		
United Kingdom	11,773	7,874
Europe	583	(49)
	12,356	7,825

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Directors' emoluments		
Fees	-	-
Emoluments	413	352
Benefits in kind	19	16
	432	368

The emoluments of the highest paid director in the year to 31 March 2002 were £219,599 (31 March 2001 - £190,570) and his accrued pension entitlement at that date was £43,000 per annum (31 March 2001 - £35,000 per annum).

	Year ended 31 March 2002 No	Period ended 31 March 2001 No
The number of directors who were members of the defined benefit pension schemes was	2	2

	No	No
Average number of persons employed		
Production and engineering	816	795
Sales and commercial	44	58
Administration	81	80
	941	933

	£000	£000
Staff costs during the period (including directors)		
Wages and salaries	25,590	24,244
Social security costs	3,643	3,496
Pension costs	1,231	1,017
	30,464	28,757

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

4. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Bank loans and overdrafts	269	421
Amortisation of issue costs	1,079	144
Finance charges payable under finance lease and hire purchase contracts	31	-
Other loans	744	875
	2,123	1,440

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Depreciation of owned assets	1,068	1,195
Depreciation of assets held under finance leases and hire purchase contracts	23	-
Rentals under operating leases	700	451
Auditors' remuneration		
Audit services	83	83
Non audit services	47	1,158
Release of negative goodwill	(127)	(4,755)
Research and development expenditure	153	260

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

		Year ended 31 March 2002 £000		Period ended 31 March 2001 £000
Current Tax:				
United Kingdom corporation tax	1,046		1,056	
Adjustments in respect of prior years	(168)		-	
		878		1,056
Foreign tax:				
Current tax	185		232	
Adjustments in respect of prior years	(46)		-	
		139		232
Total current tax		1,017		1,288
Deferred tax		-		121
		1,017		1,409

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

Factors affecting tax charge for the year

	Year ended 31 March 2002 £000	Year ended 31 March 2001 £000
Profit on ordinary activities before taxation	5,831	8,932
Profit on ordinary activities multiplied by standard rate of UK Corporation Tax of 30% (2001: 30%)	1,749	2,680
Capital allowances for the year in excess of depreciation	(45)	(41)
Expenses not tax deductible	35	136
Income not taxable	(553)	(1,624)
Differences on the timing of tax relief on expenditure	(21)	195
Utilisation of losses brought forward	-	(167)
Foreign tax losses carried forward	42	90
Overseas tax at higher rates	24	19
Prior year recoveries	(214)	-
Current tax charge for the year	1,017	1,288

7. DIVIDENDS

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Dividend paid 'A' Ordinary shares	6	6
Dividend proposed 'A' Ordinary shares	286	-
	292	6

8. NEGATIVE GOODWILL

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
At beginning of the period	(1,861)	-
Arising on acquisition	-	(6,616)
Revaluation in the period	1,734	-
Released to profit and loss account	127	4,755
At end of the period	-	(1,861)

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

9. INVESTMENTS IN SUBSIDIARIES

	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost and Net Book Value			
At 31 March 2002	1,370	928	2,298
At 31 March 2001	1,370	928	2,298

The Company's subsidiaries, all of which are 100% owned, are as follows;

Subsidiary	Country of incorporation
Alstec Holdings limited	UK
Alstec Limited *	UK
Alstec Power Systems Limited	UK
Alstec Services Limited	UK
Alstec International Holdings Limited	UK
Alstef Automation SA *	France
Alstec ESISA *	Spain
Alstec Nuclear Limited	UK
Alstec Defence Limited	UK
Alstec Automation Limited	UK
Alstec Group Trustee Limited	UK
FMA Services Limited	UK

* indirect holding

Alstec Holdings Limited and Alstec International Holdings Limited act as holding companies. All other group companies are involved in the provision of engineering solutions and services to a variety of sectors, with the exception of Alstec Nuclear Limited, Alstec Defence Limited, Alstec Automation Limited, Alstec Group Trustee Limited and FMA Services Limited which are dormant.

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

10. TANGIBLE FIXED ASSETS

GROUP	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Total £000
Cost					
At 1 April 2001	-	11,071	1,120	12,749	24,940
Additions	1,811	188	-	587	2,586
Disposals	-	(1,870)	(205)	(9,823)	(11,898)
At 31 March 2002	1,811	9,389	915	3,513	15,628
Accumulated depreciation					
At 1 April 2001	-	10,332	947	11,190	22,469
Charge for the year	23	324	70	674	1,091
Disposals	-	(1,870)	(205)	(9,663)	(11,738)
At 31 March 2002	23	8,786	812	2,201	11,822
Net book value					
At 31 March 2002	1,788	603	103	1,312	3,806
At 31 March 2001	-	739	173	1,559	2,471

The Company holds no tangible fixed assets.

All of the amounts under land and buildings relate to assets held under finance lease arrangements.

11. STOCKS

GROUP	31 March 2002 £000	31 March 2001 £000
Long term contract balances	5,577	8,011
Raw materials and consumables	80	50
Finished goods and goods for resale	2,342	2,988
	7,999	11,049

The Company holds no stocks.

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

12. DEBTORS

Amounts falling due within one year	31 March 2002 £000		31 March 2001 £000	
	Company	Group	Company	Group
Trade debtors	-	15,477	-	22,803
Amounts recoverable on contracts	-	3,529	-	13,102
Amounts owed by other group undertakings	1,600	-	6,816	-
Other debtors	214	320	1,300	3,232
Prepayments and accrued income	-	464	-	39
Group Relief	198	-	76	-
	2,012	19,790	8,192	39,176

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2002 £000		31 March 2001 £000	
	Company	Group	Company	Group
Payments received on account	-	2,626	-	7,440
Obligations under finance leases and hire purchase contracts	-	72	-	-
Trade creditors	-	7,479	-	18,053
Amounts due to other group undertakings	3,338	-	-	-
UK corporation tax payable	-	427	-	558
Other taxes and social security	-	1,132	-	1,628
Other creditors	285	3,616	121	3,833
Accruals and deferred income	-	6,680	-	15,468
	3,623	22,032	121	46,980

14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2002 £000		31 March 2001 £000	
	Company	Group	Company	Group
Obligations under finance leases and hire purchase contracts	-	1,721	-	-
Loans repayable				
Between one and two years	-	-	-	-
Between two and five years	-	-	-	-
After more than five years	-	-	10,137	10,137
	-	1,721	10,137	10,137

The loans at 31 March 2001 represented a loan from Gresham Trust plc, and were repaid on 7 December 2001. Interest was payable at a fixed rate of 9% p.a.

At 31 March 2002, the Group had no drawings under a £6,300,000 reducing revolving credit facility. Interest is payable at fixed margins over LIBOR.

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

15. PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	Other provisions	Contract losses	Warranties	TOTAL
	£000	£000	£000	£000
At 1 April 2001	658	456	793	1,907
Created in the period	25	73	1,217	1,315
Charged in the period	(381)	(456)	(694)	(1,531)
Balance at 31 March 2002	302	73	1,316	1,691

The warranty provision covers future expected expenditure committed at the time of the sale of the contract for the warranty periods of the long term contracts. The warranty periods of contracts are typically one year in duration.

16. CALLED UP SHARE CAPITAL

	31 March 2002 £ 000	31 March 2001 £ 000
Authorised		
630,000 'A' Ordinary shares of 10p each	63	63
370,000 'B' Ordinary shares of 10p each	37	37
	100	100
Called up, allotted and fully paid		
630,000 'A' Ordinary shares of 10p each	63	63
315,000 'B' Ordinary shares of 10p each	31	31
	94	94

17. RESERVES

	31 March 2002 £000		31 March 2001 £000	
Profit and loss	**Company**	**Group**	**Company**	**Group**
At beginning of the period	218	7,517	-	-
Exchange differences on retranslation of net assets of subsidiary undertakings	-	9	-	-
Retained profit for the period	163	4,522	218	7,517
At end of the period	381	12,048	218	7,517
Share premium				
At beginning of the period	214	214	-	-
Premium on issue of shares	-	-	289	289
Issue costs	-	-	(75)	(75)
At end of the period	214	214	214	214

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31 March 2002 £000		31 March 2001 £000	
	Company	**Group**	**Company**	**Group**
Opening shareholders' funds	526	7,825	-	-
Retained profit for the financial period	163	4,522	218	7,517
Exchange differences on retranslation of net assets of subsidiary undertakings	-	9	-	-
Issue of shares	-	-	308	308
Closing shareholders' funds	689	12,356	526	7,825

19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2002 £000		Period ended 31 March 2001 £000	
Operating Profit	7,439		9,984	
Release of goodwill	(127)		(4,755)	
Depreciation	1,091		1,278	
Profit on disposal of fixed assets	(14)		(26)	
Movement in provisions	(216)		(688)	
Decrease in stocks	2,116		7,124	
Decrease in debtors	17,507		1,893	
Increase/(decrease) in creditors	(24,999)		4,085	
Net cash inflow from operating activities		2,797		18,895

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

20. CASH FLOW STATEMENT

	Year ended 31 March 2002 £000	Period ended 31 March 2001 £000
Returns on investment and servicing of finance		
Interest received	515	388
Interest paid	(1,180)	(1,247)
Interest element of finance lease rental payments	(31)	-
	(696)	(859)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(775)	(762)
Sale of plant and machinery	174	103
	(601)	(659)
Acquisitions		
Consideration paid (Note 22)	-	(18,854)
Cash balances acquired with subsidiaries	-	7,550
	-	(11,304)
Financing		
Issue of ordinary share capital	-	308
Capital element of finance lease repayments	(18)	-
Receipt/(repayment) of long term loan	(10,137)	10,137
	(10,155)	10,445

21. ANALYSIS OF NET FUNDS

	At 31 March 2001 £ 000	Cash Flow £000	Other non-cash changes £000	At 31 March 2002 £ 000
Cash at bank and in hand	16,014	(9,809)		6,205
Finance leases	-	18	(1,811)	(1,793)
Loans	(10,137)	10,137		-
	5,877	346	(1,811)	4,412

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

22. ACQUISITION OF SUBSIDIARY UNDERTAKINGS IN PERIOD ENDED 31 MARCH 2001

Net assets at date of acquisition	Book Value	Revaluation 31 March 2001	Revaluation 31 March 2002	Fair Value
	£ 000	£ 000	£ 000	£ 000
Tangible fixed assets	3,097	(33)	-	3,064
Stocks	18,334	(161)	(934)	17,239
Debtors	41,259	(190)	(800)	40,269
Cash	7,550	-	-	7,550
Creditors due within one year	(42,341)	550	-	(41,791)
Provision for warranties	(1,833)	(762)	-	(2,595)
Net assets	26,066	(596)	(1,734)	23,736
Negative goodwill arising on acquisition				(4,882)
Cash consideration				18,854

23. FINANCIAL COMMITMENTS

There were no capital commitments at 31 March 2002 or 31 March 2001.

Operating lease commitments

At 31 March 2002, the group was committed to making the following payments during the next year in respect of operating leases:

	31 March 2002		31 March 2001	
	Land and buildings £000	Plant £000	Land and buildings £000	Plant £000
Leases which expire:				
Within one year	107	289	187	175
Within two to five years	1,535	112	-	182
After five years	-	-	-	-
	1,642	401	187	357

The Company had no operating lease commitments.

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

24. PENSION ARRANGEMENTS

The Group operates the ALSTEC Pension Scheme, a final salary pension scheme for all eligible employees of the Group which commenced on 1 April 2001 and, from October 2001, introduced a money purchase section for new joiners, the assets of which are held in separate, trustee administered funds.

An independent actuary prepares valuations of the Scheme at least every three years and, in accordance with his recommendations, the Group makes contributions to the Scheme. The cost of the final salary section, including the amortisation of any experience surplus or deficit, is charged to the profit and loss account on a systematic and rational basis over the expected remaining working lives of the employees. The amounts charged to the profit and loss account in respect of the money purchase section represent contributions payable in respect of the accounting period.

The first valuation of the Scheme will be carried out as at 1 April 2002.

The Group are paying contributions of 7.4% of Pensionable Salaries to the final salary section and 6.0% of Pensionable Salaries to the money purchase section.

The pension cost for the scheme was £1,231,000 (2001: £1,017,000). There was a provision of £NIL (2001: £NIL) in the balance sheet representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme. Contributions amounting to £42,356 (2001: £82,406) were payable to the scheme and are included in creditors.

Whilst the Group continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for Pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

An approximate valuation as at 31 March 2002 has been conducted by the actuary on an FRS 17 basis. The major assumptions used in this valuation were:

	31 March 2002
Rate of increase in salaries	3.75%
Rate of increase in pensions in payment	2.5%
Rate of increase of pensions in deferment	2.5%
Discount rate	6.1%
Inflation assumption	2.75%
Rate of Credited Interest applied to certain benefits	5.5%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

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NOTES TO THE ACCOUNTS
Year ended 31 March 2002

Value at 31 March 2002	**£'000**
Equities	1,483
Bonds	0
Cash	4
Defined contribution section assets	102
Total market value of assets	1,589

Present value of scheme liabilities:	**£'000**
Defined benefit section	1,540
Defined contribution section	102
Total liabilities	1,642
Deficit in the scheme	(53)
Related deferred tax asset	16
Net pension liability	(37)

The amount of this net pension liability would also be included in the Group's profit and loss reserve.

The FRS 17 basis differs significantly from the assumptions presently used to fund the scheme. The assessed deficit on the FRS 17 basis includes advance allowance for future salary increases, and does not anticipate any investment returns in excess of the yields available on high quality corporate bonds.

There is a provision in Alstef Automation SA for French retirement indemnities. The net pensions liability at 31 March 2002 was £195,000 (31 March 2001: £195,000).

25. GUARANTEES AND OTHER CONTINGENT LIABILITIES

The company has entered into various bank guarantees and performance bonds in the normal course of business amounting to approximately £3,591,000 (31 March 2001 - £2,353,000).

26. RELATED PARY TRANSACTIONS

The balance on the loan from Gresham Trust plc (a shareholder of Alstec Group Limited) at 31 March 2002 was £NIL (31 March 2001 - £10,137,000). Interest and fees of £677,000 (31 March 2001 - £875,000) was charged during the year.