

Company Registration No. 949353 (England and Wales)



HEIDENHAIN (GB) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



HEIDENHAIN (GB) LIMITED

COMPANY INFORMATION

Directors	M Smith L Wagatha
Secretary	M A Laming
Company number	949353
Registered office	200 London Road Burgess Hill West Sussex RH15 9RD
Auditors	Friend-James 169 Preston Road Brighton East Sussex BN1 6AG
Business address	200 London Road Burgess Hill West Sussex RH15 9RD

HEIDENHAIN (GB) LIMITED

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HEIDENHAIN (GB) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

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

Principal activities and review of the business

The principal activity of the company remains that of distribution and service of precision electronic equipment and the whole of the company's turnover is attributed thereto.

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Market value of land and buildings

Full disclosure of all matters relating to fixed assets is set out in the notes to the financial statements.

Future developments

The directors consider that 2003 will be another year of difficult trading conditions. Their aim is to continue to implement the management policies which have been introduced in recent years and which have assisted in successfully overcoming the difficulties and uncertainties in the market place in 2002.

Directors

The following directors have held office since 1 January 2002:

M Smith
L Wagatha

Directors' interests

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

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
M Smith	-	-
L Wagatha	-	-

In accordance with the Articles of Association, Mr M Smith retires by rotation and, being eligible, offers himself for re-election.

Charitable donations	2002 £	2001 £
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During the year the company made the following payments:

Charitable donations	3,866	3,846
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Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Friend-James be reappointed as auditors of the company will be put to the Annual General Meeting.

HEIDENHAIN (GB) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2002

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By order of the board

..... M A Laming

M A Laming

Secretary

12/03/2003

HEIDENHAIN (GB) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF HEIDENHAIN (GB) LIMITED

We have audited the financial statements of HEIDENHAIN (GB) LIMITED on pages 4 to 14 for the year ended 31 December 2002. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.


Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

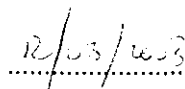
Opinion

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



Friend-James

Chartered Accountants
Registered Auditor



169 Preston Road
Brighton
East Sussex
BN1 6AG

HEIDENHAIN (GB) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	4,440,141	5,760,875
Cost of sales		(3,938,026)	(5,152,443)
Gross profit		502,115	608,432
Administrative expenses		(833,687)	(929,238)
Other operating income		333,003	521,511
Operating profit	3	1,431	200,705
Other interest receivable and similar income		867	2,621
Interest payable and similar charges	4	(10)	(124)
Profit on ordinary activities before taxation		2,288	203,202
Tax on profit on ordinary activities	5	(10,477)	(55,130)
(Loss)/profit on ordinary activities after taxation	12	(8,189)	148,072

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

HEIDENHAIN (GB) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Tangible assets	6		983,670		1,114,902
Current assets					
Stocks	7	1,284,328		1,510,315	
Debtors	8	4,644,530		5,053,606	
Cash at bank and in hand		1,830,932		1,111,237	
		<u>7,759,790</u>		<u>7,675,158</u>	
Creditors: amounts falling due within one year	9	<u>(777,753)</u>		<u>(816,164)</u>	
Net current assets			6,982,037		6,858,994
Total assets less current liabilities			<u>7,965,707</u>		<u>7,973,896</u>
Capital and reserves					
Called up share capital	11		250,000		250,000
Profit and loss account	12		7,715,707		7,723,896
Shareholders' funds - equity interests	13		<u>7,965,707</u>		<u>7,973,896</u>

The financial statements were approved by the Board on 12th March 2003


M Smith
Director


L Wagatha
Director

HEIDENHAIN (GB) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	2002		2001	
	£	£	£	£
Net cash inflow from operating activities		694,049		476,229
Returns on investments and servicing of finance				
Interest received	867		2,621	
Interest paid	(10)		(46)	
	<u> </u>		<u> </u>	
Net cash inflow for returns on investments and servicing of finance		857		2,575
Taxation		2,671		6,863
Capital expenditure				
Payments to acquire tangible assets	(12,958)		(291,677)	
Receipts from sales of tangible assets	35,076		10,500	
	<u> </u>		<u> </u>	
Net cash inflow/(outflow) for capital expenditure		22,118		(281,177)
		<u> </u>		<u> </u>
Net cash inflow before management of liquid resources and financing		719,695		204,490
		<u> </u>		<u> </u>
Increase in cash in the year		<u>719,695</u>		<u>204,490</u>

HEIDENHAIN (GB) LIMITED

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

1	Reconciliation of operating profit to net cash inflow from operating activities	2002	2001
		£	£
	Operating profit	1,431	200,705
	Depreciation of tangible assets	81,786	89,555
	Amortisation of intangible assets	29,454	42,860
	Profit on disposal of tangible assets	(2,126)	(2,961)
	Decrease in stocks	225,987	400,319
	Decrease in debtors	409,076	341,756
	Decrease in creditors within one year	(38,411)	(534,012)
	Group relief	(13,148)	(61,993)
	Net cash inflow from operating activities	694,049	476,229

2	Analysis of net funds	1 January 2002	Cash flow	Other non-cash changes	31 December 2002
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,111,237	719,695	-	1,830,932
	Net funds	1,111,237	719,695	-	1,830,932

3	Reconciliation of net cash flow to movement in net funds	2002	2001
		£	£
	Increase in cash in the year	719,695	204,490
	Movement in net funds in the year	719,695	204,490
	Opening net funds	1,111,237	906,747
	Closing net funds	1,830,932	1,111,237

HEIDENHAIN (GB) LIMITED

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

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

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

1.3 Tangible fixed assets and depreciation

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

Land and buildings Freehold	Straight line over 50 years
Fixtures, fittings & equipment	25% reducing balance
Motor vehicles	33.3% reducing balance
Computer and test equipment	25% per annum on cost

1.4 Leasing

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

1.5 Stock

Stock is valued at the lower of cost and net realisable value.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.7 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no liability would have been recognised as the conditions for recognition would not have been satisfied.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

HEIDENHAIN (GB) LIMITED

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

1 Accounting policies

(continued)

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is itself a subsidiary undertaking and its ultimate parent undertaking is established under the law of a member state of the European Economic Area.

2 Turnover

Geographical market

	Turnover 2002 £	2001 £
Within European Union	4,440,141	5,760,875
	<u>4,440,141</u>	<u>5,760,875</u>

3 Operating profit

	2002 £	2001 £
Operating profit is stated after charging:		
Depreciation of tangible assets	109,114	129,454
Operating lease rentals	25,904	-
Auditors' remuneration	16,000	14,920
	<u>151,018</u>	<u>144,374</u>

4 Interest payable

	2002 £	2001 £
On bank loans and overdrafts	10	46
On overdue tax	-	78
	<u>10</u>	<u>124</u>

HEIDENHAIN (GB) LIMITED

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

5	Taxation	2002 £	2001 £
	Domestic current year tax		
	Adjustment for prior years	(2,671)	(6,863)
	Payment in respect of group relief	13,148	61,993
		<hr/>	<hr/>
	Current tax charge	10,477	55,130
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,288	203,202
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2001: 30.00%)	686	60,961
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	12,956	2,631
	Depreciation	33,372	39,725
	Capital allowances	(30,829)	(41,030)
	Other tax adjustments	(5,708)	(7,157)
		<hr/>	<hr/>
		9,791	(5,831)
		<hr/>	<hr/>
	Current tax charge	10,477	55,130
		<hr/>	<hr/>

No provision for deferred tax has been made as group losses would set-off any liability which may arise.

HEIDENHAIN (GB) LIMITED

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

6 Tangible fixed assets

	Land and buildings Freehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2002	1,154,294	454,425	242,590	1,851,309
Additions	-	12,958	-	12,958
Disposals	-	-	(108,147)	(108,147)
At 31 December 2002	1,154,294	467,383	134,443	1,756,120
Depreciation				
At 1 January 2002	317,796	289,210	129,401	736,407
On disposals	-	-	(75,197)	(75,197)
Charge for the year	23,086	58,700	29,454	111,240
At 31 December 2002	340,882	347,910	83,658	772,450
Net book value				
At 31 December 2002	813,412	119,473	50,785	983,670
At 31 December 2001	836,498	165,215	113,189	1,114,902

7 Stocks	2002 £	2001 £
Finished goods and goods for resale	1,284,328	1,510,315

8 Debtors	2002 £	2001 £
Trade debtors	810,144	1,161,680
Amounts owed by group undertakings	3,799,901	3,848,055
Prepayments and accrued income	34,485	43,871
	4,644,530	5,053,606

HEIDENHAIN (GB) LIMITED

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

9 Creditors: amounts falling due within one year	2002 £	2001 £
Trade creditors	15,122	27,114
Amounts owed to group undertakings	449,240	464,689
Taxes and social security costs	158,725	191,708
Accruals and deferred income	154,666	132,653
	<u>777,753</u>	<u>816,164</u>

10 Pension costs

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. At the year end contributions payable by the company to the fund were £30,615 included in creditors.

	2002 £	2001 £
Contributions payable by the company for the year	<u>80,596</u>	<u>81,789</u>

11 Share capital	2002 £	2001 £
Authorised		
250,000 Ordinary shares of £ 1 each	<u>250,000</u>	<u>250,000</u>
Allotted, called up and fully paid		
250,000 Ordinary shares of £ 1 each	<u>250,000</u>	<u>250,000</u>

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 2002	7,723,896
Retained loss for the year	(8,189)
Balance at 31 December 2002	<u>7,715,707</u>

HEIDENHAIN (GB) LIMITED

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

13 Reconciliation of movements in shareholders' funds	2002 £	2001 £
(Loss)/Profit for the financial year	(8,189)	148,072
Opening shareholders' funds	7,973,896	7,825,824
	<u> </u>	<u> </u>
Closing shareholders' funds	7,965,707	7,973,896
	<u> </u>	<u> </u>

14 Contingent liabilities

The company has given guarantees in respect of bank facilities of fellow wholly owned group subsidiaries.

15 Financial commitments

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

	2002 £	2001 £
Expiry date:		
Between two and five years	32,082	-
	<u> </u>	<u> </u>

16 Directors' emoluments	2002 £	2001 £
Emoluments for qualifying services	65,339	71,586
Company pension contributions to money purchase schemes	6,563	4,459
	<u> </u>	<u> </u>
	71,902	76,045
	<u> </u>	<u> </u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2001- 1).

HEIDENHAIN (GB) LIMITED

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

17 Employees

Number of employees

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

	2002 Number	2001 Number
Sales	11	11
Service	11	11
Administration	7	7
	<u>29</u>	<u>29</u>

Employment costs

	£	£
Wages and salaries	839,261	875,382
Social security costs	91,196	96,841
Other pension costs	80,596	81,789
	<u>1,011,053</u>	<u>1,054,012</u>

18 Control

The ultimate parent company remained to be Dr Johannes Heidenhain GmbH, of Dr. Johannes Heidenhain-Strasse 5, D-83301, Traunreut, Germany. The company is incorporated in Germany.

19 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning related parties. All related party transactions were with companies within the group and therefore exempt from disclosure.