

Registered No. 1450327

# **HEIMANN SYSTEMS LIMITED**

**Annual report**

**For the 11 months ended 30 November 2002**





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## Directors and advisers

### Directors

N I Hughes  
M Meyer  
H A Linkenbach  
R Müsse  
G Gaillard

### Secretary and registered office

T & H Secretarial Services  
Sceptre Court  
Tower Hill  
London  
EC3N 4DX

### Solicitors

Trowes & Hemlim Solicitor's  
Sceptre Court  
Tower Hill  
London  
EC3N 4DX

### Registered auditors

PricewaterhouseCoopers  
No 1 Embankment Place  
London  
WC2N 6NN

### Bankers

National Westminster Bank plc  
30 Market Place  
Newbury  
Berkshire  
RG14 5AJ

## **Directors' report for the 11 months ended 30 November 2002**

The directors present their report and the audited financial statements of the company for the 11 months ended 30 November 2002.

### **Principal activity**

The principal activity of the company in the period under review was that of servicing, supply and manufacture of electronic equipment.

### **Review of business**

The results for the period are set out in the profit and loss account on page 6.

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

### **Dividends and transfer to reserves**

The directors do not recommend the payment of a dividend (2001: £nil)

### **Directors**

The directors of the company who held office during the period were as follows:

N I Hughes	
M Meyer	
H A Linkenbach	
R Müsse	appointed 25 November 2002
G Gaillard	appointed 1 April 2002

### **Directors interests**

During the period none of the directors held any interest in the shares of the company.

## Directors' responsibilities statement

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 as at the end of the financial year 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;
- 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.

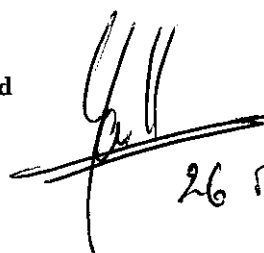
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statement comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

The directors are responsible for the maintenance and integrity of the company's website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board



GERALD GAILLARD  
MANAGING DIRECTOR

26 MARCH 2003

Company secretary

**Independent auditors' report to the members of  
HEIMANN SYSTEMS LIMITED**

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

**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 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 at 30 November 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**

Chartered Accountants and Registered Auditors

London

26 March 2003



**Profit and loss account  
for the 11 months ended 30 November 2002**

	Notes	11 months ended 30 November 2002 £	Year ended 31 December 2001 £
<b>Turnover</b>	2	<b>3,834,000</b>	1,288,702
Cost of sales		<u>(2,608,493)</u>	<u>(448,163)</u>
<b>Gross profit</b>		<b>1,225,507</b>	840,539
Administrative expenses		<u>(1,385,404)</u>	<u>(931,672)</u>
<b>Operating loss</b>	6	<b>(159,897)</b>	(91,133)
Interest payable and similar charges	5	(444)	(26,146)
Interest receivable and similar charges		<u>5,465</u>	<u>3,874</u>
<b>Loss on ordinary activities before taxation</b>		<b>(154,876)</b>	(113,405)
Taxation	7	<u>(17,916)</u>	<u>(2,657)</u>
<b>Retained loss for the period</b>	14	<b><u>(172,792)</u></b>	<b><u>(116,062)</u></b>

The above results relate to the continuing operations of the company.

The company had no gains or losses than those included in the losses above. Therefore no separate statement of total recognised gains and loss has been presented.

There is no difference between the loss on ordinary activities before taxation and loss for the period stated above and their historical cost equivalents.



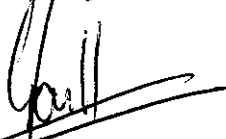
# Balance sheet

## At 30 November 2002

	Notes	30 November 2002 £	31 December 2001 £
<b>Fixed assets</b>			
Tangible assets	8	87,767	49,207
<b>Current assets</b>			
Stock	9	144,940	117,593
Debtors	10	221,924	377,502
Cash at bank and in hand		128,057	351,257
		<u>494,921</u>	<u>846,352</u>
Creditors: amounts falling due within one year	11	(384,414)	(524,493)
<b>Net current assets</b>		<u>110,507</u>	<u>321,859</u>
Total assets less current liabilities		198,274	371,066
Provisions for liabilities and charges	12	(8,774)	(8,774)
<b>Net assets</b>		<u>189,500</u>	<u>362,292</u>
<b>Capital and reserves</b>			
Called up share capital	13	100	100
Share premium account		531	531
Profit and loss account	14	188,869	361,661
<b>Shareholders' funds</b>	15	<u>189,500</u>	<u>362,292</u>

The financial statements on pages 6 to 15 were approved by the board of directors on 26 March 2003 and were signed on its behalf by:

GERALD GALLARD

  
Director



**Notes to the financial statements  
for the 11 months ended 30 November 2002****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

**Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention.

**Accounting policies**

FRS 18 'Accounting policies', effective for accounting periods ending on or after 22 June 2001 has been adopted. The directors have reviewed the company's accounting policies and consider that the accounts are prepared in accordance with FRS 18.

**Tangible fixed assets**

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

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold improvements	20%
Computer equipment	33%
Fixtures and fittings	20%

**Finance and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

**Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Turnover on maintenance contracts is determined on a time basis. The proportion of the contract, which has elapsed, has been included in the turnover for the year. The remainder is held as deferred revenue within creditors due in less than one year on the balance sheet.





**Deferred taxation**

The implementation of FRS 19, Deferred Tax, requires a full rather than partial provision for deferred tax. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date and that result in an obligation to pay more tax in the future or right to pay less tax in the future. An asset is not recognised to the extent that the transfer of economic benefits in future is uncertain.

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.

**Cash flow statement**

The company has taken advantage of the exemption not to prepare a cash flow statement under FRS1. The company is a wholly owned subsidiary of a parent which itself prepares consolidated financial statements and a group cash flow statement.

**Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of transaction. Exchange differences are dealt within the profit and loss account.

**2 Turnover**

The turnover and profit before taxation are attributable to the one principal activity of the company and arise from sales made in:

	<b>11 months ended 30 November 2002 £</b>	<b>Year ended 31 December 2001 £</b>
United Kingdom	3,213,904	1,288,702
Europe	612,441	-
USA	7,655	-
	<u>3,834,000</u>	<u>1,288,702</u>

**3 Directors' emoluments**

	11 months ended 30 November 2002 £	Year ended 31 December 2001 £
Aggregate emoluments	105,691	44,212
	<u>105,691</u>	<u>44,212</u>

**4 Employees**

The average weekly number of persons (including executive directors) employed by the company during the period was:

	2002 Number	2001 Number
By activity		
Management and office	10	3
Technicians	13	11
	<u>23</u>	<u>14</u>

	11 months ended 30 November 2002 £	Year ended 31 December 2001 £
Staff costs (for the above persons)		
Wages and salaries	630,490	357,967
Social security costs	63,841	37,204
	<u>694,331</u>	<u>395,171</u>

**5 Interest payable and similar charges**

	2002 £	2001 £
On bank loans and overdrafts	<u>444</u>	<u>17,109</u>

**6 Profit on ordinary activities before taxation**

	<b>11 months ended 30 November 2002 £</b>	<b>Year ended 31 December 2001 £</b>
Profit on ordinary activities before taxation is stated after (crediting)/charging:		
Loss on disposal of tangible fixed assets	-	139,961
Depreciation charge for the period:		
Tangible owned fixed assets	44,695	27,232
Auditors' remuneration	38,953	34,833
Hire of plant and machinery - operating leases	86,350	4,271
Foreign exchange differences	<u>29,066</u>	<u>(2,572)</u>

**7 Tax on profit on ordinary activities****(a) Analysis of charge in the period**

	<b>11 months ended 30 November 2002 £</b>	<b>Year ended 31 December 2001 £</b>
Taxation on the profit for the period:		
UK corporation tax at 30% (2001: 30%)	-	-
(Over)/under provision in respect of prior years	<u>17,916</u>	<u>2,657</u>
Deferred taxation	-	-
<b>Tax on profit on ordinary activities</b>	<u><b>17,916</b></u>	<u><b>2,657</b></u>

## (b) Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) applied to the pre-tax profit of the company. The differences are explained below:

	2002	2001
	£	£
(Loss)/Profit on ordinary activities before tax	<u>(154,876)</u>	<u>(113,405)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(46,463)	(34,022)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	332	32,630
Depreciation in excess of capital allowances	6,582	1,392
Losses carried forward	39,549	-
Adjustments to tax charge in respect of previous period	17,916	2,657
Current tax charge for period (note 7(a))	<u>17,916</u>	<u>2,657</u>

## 8 Tangible fixed assets

	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Total £
<b>Cost</b>				
At 1 January 2002	-	115,548	14,223	129,771
Additions	41,200	22,541	19,514	83,255
Disposals	-	(43,146)	-	(43,146)
At 30 November 2002	<u>41,200</u>	<u>94,943</u>	<u>33,737</u>	<u>169,880</u>
<b>Depreciation</b>				
At 1 January 2002	-	72,505	8,059	80,564
Charge for period	4,120	36,667	3,908	44,695
Disposals	-	(43,146)	-	(43,146)
At 30 November 2002	<u>4,120</u>	<u>66,026</u>	<u>11,967</u>	<u>82,113</u>
<b>Net book value</b>				
At 30 November 2002	<u>37,080</u>	<u>28,917</u>	<u>21,770</u>	<u>87,767</u>
At 31 December 2001	<u>-</u>	<u>43,043</u>	<u>6,164</u>	<u>49,207</u>

**9 Stock**

	30 November 2002 £	31 December 2001 £
Work in progress	<u>144,940</u>	<u>117,593</u>

**10 Debtors**

	30 November 2002 £	31 December 2001 £
Amounts falling due within one year		
Trade debtors	170,178	207,138
Due from group undertakings	8,567	147,477
Other debtors	17,768	13,591
Prepayments and accrued income	25,411	9,296
	<u>221,924</u>	<u>377,502</u>

**11 Creditors: amounts due within one year**

	30 November 2002 £	31 December 2001 £
Trade creditors	38,294	38,239
Amounts due to group undertakings	112,155	208,843
Amounts due to related undertakings	6,307	-
Directors current account	22,849	71,211
Other taxation and social security costs	60,335	92,292
Accrual and deferred income	144,474	113,908
	<u>384,414</u>	<u>524,493</u>

**12 Provisions for liabilities and charges**

	30 November 2002 £	31 December 2001 £
<b>Deferred taxation</b>		
At 1 January 2002	8,774	8,774
Profit and loss account	-	-
<b>At 30 November 2002</b>	<b>8,774</b>	<b>8,774</b>

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability, are as follows:

	<b>Amount provided</b>		<b>Amount unprovided</b>	
	30 November 2002 £	31 December 2001 £	30 November 2002 £	31 December 2001 £
Tax effect of timing differences because of:				
Excess of capital allowances over depreciation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13 Called up share capital**

	30 November 2002 £	31 December 2001 £
<b>Authorised allotted, called up and fully paid</b>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**14 Profit and loss account**

	£
At 1 January 2002	361,661
Retained loss for the period	(172,792)
<b>At 30 November 2002</b>	<b><u>188,869</u></b>

**15 Reconciliation of movements in shareholders' funds**

	30 November 2002 £	31 December 2001 £
Opening shareholders' funds	362,292	478,354
Loss for the financial period	(172,792)	(116,062)
Closing shareholders' funds	<u>189,500</u>	<u>362,292</u>

**16 Financial commitments**

At 30 November 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiring within one year	-	-	-	-
Expiring in two to five years	75,000	-	67,128	77,076
	<u>75,000</u>	<u>-</u>	<u>67,128</u>	<u>77,076</u>

**17 Ultimate and immediate parent company**

During the period the company was a wholly owned subsidiary of the ultimate parent undertaking Rheinmetall AG, a company incorporated in Germany. Copies of the group accounts may be obtained from Rheinmetall Allee 1, 40476 Dusseldorf, Postfach 10 42 61, 40033 Dusseldorf, Germany.

The controlling entity and parent undertaking of the smallest group which includes the company and for which group accounts are prepared is Heimann System GmbH, a company incorporated in Germany. Copies of the group accounts may be obtained from Heimann Systems GmbH, Group Headquarters, Im Herzen 4, 65205 Wiesbaden, Germany.

**18 Related party transactions**

In accordance with FRS 8 'Related party disclosures' transactions with other group undertakings within the Heimann Systems Group have not been disclosed within these financial statements.

Rent for the premises used by the company is paid to Intak Limited a company for which Nick Hughes is a director. The amount paid during the period totalled £69,572.

As at 30 November £6,307 is due to Field Emission Services Limited a company for which Nick Hughes is a director. This relates to moneys received by Heimann Systems Limited to be transferred to Field Emission Services Limited.

**19 Post balance sheet events**

From 1 December 2002 the ultimate parent undertaking and controlling party of Heimann Systems Limited is Smiths Group plc, a company incorporated in the United Kingdom.