

# Filtronic Components Limited

## FINANCIAL STATEMENTS

for the year ended

31 May 1996



# Filtronic Components Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

Professor J D Rhodes OBE, F. ENG., FRS (Chairman)

S G Wilson

Dr K W Ferguson

S Z Fripp

D J Gotch

Dr R Parry

B M Rhodes

A P Clegg

### SECRETARY

A P Clegg

### COMPANY NUMBER

1659830

### REGISTERED OFFICE

Airedale House

Royal London Industrial Estate

Acorn Park

Charlestown

Shipley

West Yorkshire

BD17 7SW

### AUDITORS

Baker Tilly

Chartered Accountants

Carlton House

Grammar School Street

Bradford

BD1 4NS

# Filtronic Components Limited

## DIRECTORS' REPORT

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The directors present their report and financial statements of the company for the year ended 31 May 1996.

### PRINCIPAL ACTIVITIES

The company is engaged in the design and manufacture of microwave components and subsystems for the military market.

### REVIEW OF BUSINESS

The company had an unsatisfactory trading year with reduced sales and increased costs. The directors remain confident in the long term prospects.

### FINANCIAL RESULTS

The results of the year are set out in the profit and loss account on page 6. The position at the end of the year is shown in the balance sheet on page 7. The directors do not recommend payment of a dividend in respect of the year and the loss sustained of £2,005,069 is to be deducted from profit and loss account reserves.

### DIRECTORS

The following directors have held office since 1 June 1995 or later appointment as stated below:

Professor J D Rhodes OBE, F. ENG., FRS

S G Wilson

Dr K W Ferguson

Dr H K Mardia

(resigned 1 June 1996)

P Trigg

(resigned 1 June 1996)

A P Clegg

D J Gotch

(appointed 20 February 1996)

Dr R Parry

(appointed 20 February 1996)

B M Rhodes

(appointed 20 March 1996)

S Z Fripp

(appointed 1 June 1996)

### DIRECTOR'S INTERESTS

No director held shares in the company. The following directors had interests in the ultimate holding undertaking as follows:

	<i>Ordinary shares of £1 each</i>	
	31 May 1996	1 June 1995
S G Wilson	114,196	87,327
Dr H K Mardia	10,772	7,685
Dr K W Ferguson	13,765	9,116
P Trigg	2,175	1,500
A P Clegg	2,732	2,000
D J Gotch	11,194	9,619
Dr R Parry	5,613	4,823

The interests of Professor J D Rhodes and Mrs B M Rhodes in the ultimate holding undertaking are given in that company's financial statements.

# Filtronic Components Limited

## DIRECTORS' REPORT

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### DIRECTORS' INTERESTS *(continued)*

Options held by directors over the unissued ordinary shares of £1 each in the ultimate holding undertaking at 31 May 1996 are as follows:

	<i>Executive Share Option Scheme</i>			<i>Savings Related Share Option Scheme</i>		
	<i>Number of Option</i>	<i>Exercise Price</i>	<i>Exercisable Period</i>	<i>Number of Options</i>	<i>Exercise Price</i>	<i>Exercisable Period</i>
Dr H K Mardia	7,500	232p}		5,193	186p}	
Dr K W Ferguson	3,000	232p}	12/02/1999	2,708	186p}	01/08/2000
P Trigg	8,500	232p}	to	-	-}	to
A P Clegg	8,500	232p}	11/02/2006	6,862	186p}	01/02/2003
D J Gotch	2,500	232p}		3,524	186p}	
Dr R Parry	2,500	232p}		7,758	186p}	

The executive share options were granted on 12 February 1996 and the savings related share options were granted on 5 July 1995. No options have been exercised in the period.

### AUDITORS

A resolution to re-appoint Baker Tilly as auditors will be put to the members at the Annual General Meeting.

By order of the Board

A P CLEGG  
Secretary

25 March

1997



# Filtronic Components Limited

## DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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Company law requires 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, directors are required to:

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

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 requirements of 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.

## AUDITORS' REPORT TO THE MEMBERS OF FILTRONIC COMPONENTS LIMITED

We have audited the financial statements on pages 6 to 19.

### **Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

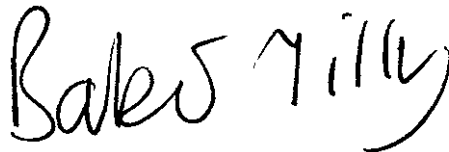
### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of 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 31 May 1996 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BAKER TILLY

Registered Auditor  
Chartered Accountants  
Carlton House  
Grammar School Street  
Bradford  
BD1 4NS

26 March 1997

# Filtronic Components Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1996

	<i>Notes</i>	1996 £	1995 £
TURNOVER	1	6,132,187	7,201,909
Trading (loss) profit	2	( 1,945,142)	21,176
Interest payable	6	( 227,001)	( 71,542)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		( 2,172,143)	( 50,366)
Taxation	7	167,074	44,499
LOSS SUSTAINED FOR THE YEAR	17	( 2,005,069)	( 5,867)

The operating loss for the year arises from the company's continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

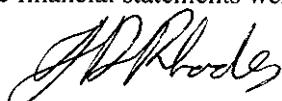
# Filtronic Components Limited

## BALANCE SHEET

31 May 1996

	Notes	1996 £	1995 £
FIXED ASSETS			
Tangible assets	8	1,805,962	1,259,127
Investments	9	-	2
		<hr/>	<hr/>
		1,805,962	1,259,129
CURRENT ASSETS			
Stocks	10	2,237,106	1,178,794
Debtors	11	2,255,410	1,623,310
Cash at bank and in hand		-	88,241
		<hr/>	<hr/>
		4,492,516	2,890,345
CREDITORS: Amounts falling due within one year	12	2,997,306	1,167,525
		<hr/>	<hr/>
NET CURRENT ASSETS		1,495,210	1,722,820
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,301,172	2,981,949
CREDITORS: Amounts falling due after more than one year	13	1,216,548	374,256
SUBORDINATED LOAN	14	1,500,000	-
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	18,000
		<hr/>	<hr/>
		584,624	2,589,693
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	16	2,250,000	2,250,000
Profit and loss account	17	(1,665,376)	339,693
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	18	584,624	2,589,693
		<hr/>	<hr/>

These financial statements were approved by the board on 25 March 1997



PROFESSOR J D RHODES OBE, F ENG, FRS



# Filtronic Components Limited

## CASH FLOW STATEMENT

for the year ended 31 May 1996

	<i>Notes</i>	1996 £	1995 £
NET CASH FLOW FROM OPERATING ACTIVITIES	A	( 2,116,056)	695,058
RETURNS ON INVESTMENTS AND SERVICING FINANCE			
Interest paid on bank and other loans and overdraft		( 138,742)	( 18,349)
Hire purchase interest		( 63,837)	( 53,193)
		<hr/>	<hr/>
Net cash flow from returns on investments and servicing finance		( 202,579)	( 71,542)
TAXATION			
Corporation tax paid		( 2,910)	( 60,000)
INVESTING ACTIVITIES			
Purchase of fixed assets		( 841,155)	( 238,629)
Sale of fixed assets		24,800	21,025
Sale of investments		2	2,666
		<hr/>	<hr/>
Net cash flow from investing activities		( 816,353)	( 214,938)
		<hr/>	<hr/>
Net cash flow before financing		( 3,137,898)	348,578
FINANCING			
Hire purchase repayments		( 400,768)	( 266,036)
Bank loan - advance		750,000	-
Advance from holding undertaking		1,500,000	-
Deferred payments on purchase of assets		550,000	-
		<hr/>	<hr/>
Net cash flow from financing		2,399,232	( 266,036)
		<hr/>	<hr/>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	B	( 738,666)	82,542
		<hr/>	<hr/>

# Filtronic Components Limited

## NOTES TO THE CASH FLOW STATEMENT

for the year ended 31 May 1996

A

RECONCILIATION OF TRADING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES	1996 £	1995 £
Trading (loss) profit	( 1,945,142)	21,176
Depreciation	645,562	355,681
(Profit) loss on sale of fixed assets	( 7,535)	1,449
(Increase) decrease in stocks	( 1,058,312)	414,655
Increase in debtors	( 480,116)	( 129,447)
Increase in creditors	729,487	31,544
	<u>( 2,116,056)</u>	<u>695,058</u>

B

ANALYSIS OF CHANGES IN CASH EQUIVALENTS DURING THE YEAR	
Balance at 1 June 1995	88,241
Net cash outflow	( 738,666)
	<u>( 650,425)</u>
Balance at 31 May 1996	<u>( 650,425)</u>

C

ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR	1996 £	1995 £	Changes in year £
Cash at bank and in hand	-	88,241	( 88,241)
Bank overdraft	650,425	-	( 650,425)
	<u>650,425</u>	<u>88,241</u>	<u>( 738,666)</u>

D

ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR	Share capital £	Advances from holding undertaking £	Bank loan & deferred payments £	Hire purchase loans £
Balance at 1 June 1995	2,250,000	-	-	643,572
Advances	-	1,500,000	1,300,000	-
Inception of new leases	-	-	-	368,507
Capital repayments	-	-	-	( 400,768)
	<u>2,250,000</u>	<u>1,500,000</u>	<u>1,300,000</u>	<u>611,311</u>
Balance at 31 May 1996	<u>2,250,000</u>	<u>1,500,000</u>	<u>1,300,000</u>	<u>611,311</u>

# Filtronic Components Limited

## ACCOUNTING POLICIES

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### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention in accordance with applicable accounting standards.

### TURNOVER

Turnover represents amounts receivable, excluding value added tax, in respect of goods and services provided in the ordinary course of business.

### TANGIBLE FIXED ASSETS

Fixed assets, together with assets acquired under finance leases, are included in the financial statements at cost less accumulated depreciation.

### DEPRECIATION

Depreciation is provided in order to write off the cost of tangible fixed assets in equal instalments over their estimated useful lives as follows:

Plant and machinery	4 - 10 years
Fixtures and fittings	7 - 10 years
Motor vehicles	4 - 5 years
Leased assets	over the period of the lease

### FIXED ASSETS HELD UNDER FINANCE AGREEMENTS

Where assets are financed by finance agreements that give rights approximating to ownership the assets are treated as if they had been purchased outright and the corresponding liability to the finance company is included as an obligation under finance leases and hire purchase agreements.

Depreciation on financed assets is charged to the profit and loss account in accordance with the accounting policy above.

Finance payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account.

All other leases are regarded as 'operating leases' and the relevant annual rentals are charged wholly to the profit and loss account.

### DEVELOPMENT EXPENDITURE

Development expenditure is written off to the profit and loss account in the year in which it is incurred.

### DEFERRED TAXATION

Deferred taxation is provided using the liability method in respect of all timing differences which are expected to crystallise in the foreseeable future.

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and estimated net realisable value. Cost comprises the purchase price of raw materials and components on a moving average basis together with direct labour and attributable overheads. Estimated net realisable value consists of the expected sales value less all future costs required to bring the stock to its sales condition and location.

# Filtronic Components Limited

## ACCOUNTING POLICIES

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### LONG TERM CONTRACTS

- a) Work in Progress  
Long term work in progress is valued at the lower of cost incurred to date and estimated net realisable value less progress payments received or receivable.
- b) Sales  
In the course of a long term contract, sales invoices are raised at stages agreed with the customer and appropriate proportions of profit are taken at that time.

### FOREIGN CURRENCY TRANSACTIONS

Sales in foreign currencies are hedged against exchange differences by taking out a foreign currency overdraft for each contract and determining a fixed rate of exchange for that contract ("the contract rate"). This overdraft is matched by a sterling deposit of equal value. Sales and the related debtors at the year end are translated at the relevant contract rate.

Purchases in foreign currencies are translated at an average rate of exchange for the accounting period. Liabilities outstanding at the year end are translated at the rate of exchange applicable at that date. All exchange differences are included in the profit and loss account for the year.

### RETIREMENT AND DEATH BENEFITS SCHEME

The group operates a contracted out Retirement and Death Benefits Scheme for eligible employees including directors. The scheme, which provides defined benefits based on length of pensionable service and pensionable salary at retirement, is administered by Trustees and its funds are independent of the group's finances. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over the employees' working lives with the company.

# Filtronic Components Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1996

1	1996	1995
	£	£
TURNOVER		
United Kingdom	2,220,370	3,590,860
United States of America	572,800	767,402
Rest of the World	3,339,017	2,843,647
	<u>6,132,187</u>	<u>7,201,909</u>

The company's turnover and loss before taxation were all derived from its principal activity.

2	1996	1995
	£	£
TRADING (LOSS) PROFIT		
Income:		
Turnover	6,132,187	7,201,909
Increase (decrease) in stocks of finished goods and work in progress	369,835	( 334,137)
	<u>6,502,022</u>	<u>6,867,772</u>
Costs:		
Raw materials and consumables	1,033,350	2,000,108
Staff costs:		
Wages and salaries	3,635,452	2,900,489
Social security costs	355,739	290,292
Other pension costs	240,832	186,169
	<u>4,232,023</u>	<u>3,376,950</u>
Depreciation:		
Assets held under finance leases and hire purchase contracts	251,020	199,561
Owned assets	394,542	156,120
	<u>645,562</u>	<u>355,681</u>
Other operating charges (note 3)	2,536,229	1,113,857
	<u>8,447,164</u>	<u>6,846,596</u>
Trading (loss) profit	<u>( 1,945,142)</u>	<u>21,176</u>

**Filtronic Components Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 May 1996**

3	OTHER OPERATING CHARGES	1996 £	1995 £
	Other operating charges include:		
	Operating leases - land and buildings	127,535	32,915
	Profit on disposal of fixed assets	( 7,535)	( 1,449)
	Auditors' remuneration	8,000	6,000
		<u>          </u>	<u>          </u>
4	EMPLOYEES	1996 No	1995 No
	Average number of persons employed:		
	Manufacturing, research and development	176	155
	Sales and administration	31	27
		<u>        </u>	<u>        </u>
		207	182
		<u>        </u>	<u>        </u>
5	DIRECTORS' EMOLUMENTS	1996 £	1995 £
	Remuneration (including benefits in kind)	314,610	270,898
	Pension contributions	28,456	26,038
		<u>          </u>	<u>          </u>
		343,066	296,936
		<u>          </u>	<u>          </u>
	The chairman	10,000	10,041
		<u>          </u>	<u>          </u>
	The highest paid director	77,012	76,524
		<u>          </u>	<u>          </u>
	The number of other directors who received emoluments (excluding pension contributions) in the following ranges was:		
		1996 No	1995 No
	£0 - £5,000	1	3
	£9,501 - £10,000	1	-
	£10,501 - £11,000	1	-
	£40,001 - £45,000	-	2
	£45,001 - £50,000	2	1
	£50,001 - £55,000	2	1
		<u>        </u>	<u>        </u>
		7	7
		<u>        </u>	<u>        </u>

**Filtronic Components Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 May 1996

6	INTEREST PAYABLE	1996 £	1995 £
	On bank loans, overdrafts and hire purchase contracts	227,001	71,542
	Includes finance charges payable of:	63,837	53,193
7	TAXATION	1996 £	1995 £
	Corporation tax at current rates	( 179,779)	( 22,500)
	Deferred taxation	( 18,000)	18,000
	Adjustment to previous years	30,705	( 39,999)
		( 167,074)	( 44,499)

The company has trading losses available for relief against future trading profits of approximately £1,333,000 (1995 Nil).

8	TANGIBLE FIXED ASSETS	<i>Freehold land and buildings</i> £	<i>Plant and machinery fixtures and fittings</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
	Cost				
	1 June 1995	-	3,973,046	223,038	4,196,084
	Additions	-	1,146,244	63,418	1,209,662
	Released on disposal	-	-	( 44,700)	( 44,700)
	Transfer from holding undertaking	1,500,000	-	-	1,500,000
	Transfer to group undertaking	( 1,500,000)	-	-	( 1,500,000)
	31 May 1996	-	5,119,290	241,756	5,361,046
	Depreciation				
	1 June 1995	-	2,834,476	102,481	2,936,957
	Charge for the year	-	584,721	60,841	645,562
	Released on disposal	-	-	( 27,435)	( 27,435)
	31 May 1996	-	3,419,197	135,887	3,555,084
	Net book value				
	31 May 1996	-	1,700,093	105,869	1,805,962
	31 May 1995	-	1,138,570	120,557	1,259,127

# Filtronic Components Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1996

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### 8 TANGIBLE FIXED ASSETS *(continued)*

The net book value of fixed assets in respect of assets held under finance leases and hire purchase contracts was as follows:

	1996 £	1995 £
Plant and machinery	588,504	746,155
Motor vehicles	104,457	112,987

### 9 INVESTMENT

During the year the company transferred its ownership of the whole of the issued share capital of E W Systems Limited, a dormant company incorporated in Great Britain, for a consideration of £2. The original cost of the investment was £2.

### 10 STOCK

	1996 £	1995 £
Raw materials	719,636	31,159
Work in progress: short term	1,517,470	1,147,635
	2,237,106	1,178,794

### 11 DEBTORS

	1996 £	1995 £
Trade debtors	912,619	1,481,555
Amounts due from group undertakings	986,147	-
Other debtors	63,200	28,521
Corporation tax repayable	179,779	27,795
Prepayments and accrued income	113,665	85,439
	2,255,410	1,623,310



# Filtronic Components Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1996

12	CREDITORS: Amounts falling due within one year	1996 £	1995 £
	Bank overdraft (secured - note 13)	650,425	-
	Bank loan (secured - note 13)	62,500	-
	Trade creditors	565,746	449,341
	Amount owed to group undertakings	530,090	98,780
	Taxation and social security	112,884	90,628
	Other creditors	281,820	295,125
	Accruals and deferred income	418,841	233,651
	Deferred payment (see note 13)	375,000	-
		<u>2,997,306</u>	<u>1,167,525</u>
13	CREDITORS: Amounts falling due after more than one year	1996 £	1995 £
	Bank loan (secured)	687,500	-
	Deferred payment (see below)	175,000	-
	Hire purchase creditors	354,048	374,256
		<u>1,216,548</u>	<u>374,256</u>

The company has given Barclays Bank Plc a debenture over all the company's assets.

The bank loan is secured by the debenture and cross guarantees with the ultimate holding undertaking and other group undertakings. It is repayable by quarterly instalments of £20,833 and interest is payable at 2% above LIBOR.

The bank loan will fall due for repayment as follows:

	1996 £	1995 £
Within one year	41,666	-
in two to five years	333,328	-
five years or more	375,000	-
	<u>750,000</u>	<u>-</u>

The deferred payments are in connection with the purchase of certain assets at Milton Keynes and are secured as follows:

	1996 £	1995 £
Avalised Bills of Exchange	350,000	-
Second Debenture over all the company's assets	200,000	-
	<u>550,000</u>	<u>-</u>

# Filtronic Components Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1996

### 13 CREDITORS: Amounts falling due after more than one year (*continued*)

At the year end the following obligations existed under finance leases and hire purchase agreements:

	1996 £	1995 £
Payable within one year (included in 'other creditors' in note 12)	257,260	269,313
Payable within two to five years	354,048	374,256
	<u>611,308</u>	<u>643,569</u>

At the year end the following annual commitments existed under non-cancellable operating leases:

	1996 £	1995 £
Land and buildings:		
Operating leases which expire in less than five years	179,166	79,752
	<u>179,166</u>	<u>79,752</u>

The leases of land and buildings are subject to rent review within the next five years.

### 14 SUBORDINATED LOAN

The subordinated loan represents amounts due to the ultimate holding undertaking, Filtronic Limited and is interest free. The loan is subordinated to all other present and future sums, liabilities and obligations payable or owing by the company and is only repayable as or when the shareholders' funds exceed £2,250,000.

### 15 PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Deferred taxation</i> £
1 June 1995	18,000
Transfer from profit and loss account	( 18,000)
	<u>-</u>

31 May 1996

	<i>Amount provided</i>		<i>Full potential liability</i>	
	1996 £	1995 £	1996 £	1995 £
Capital allowances in excess of depreciation	54,000	-	54,000	69,000
Short term timing differences	-	18,000	-	18,000
Other timing differences	( 54,000)	-	( 54,000)	-
	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>87,000</u>

**Filtronic Components Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 May 1996

16	<b>CALLED UP SHARE CAPITAL</b>	1996 £	1995 £
	Authorised 2,500,000 ordinary shares of £1 each	2,500,000	2,500,000
	Allotted, called up and fully paid 2,250,000 ordinary shares of £1 each	2,250,000	2,250,000
17	<b>RESERVES</b>	<i>Revaluation reserve</i> £	<i>Profit and loss account</i> £
	1 June 1995	-	339,693
	Loss for the year	-	( 2,005,069)
	On transfer of freehold land and buildings from holding undertaking	549,639	-
	On transfer of freehold land and buildings to fellow group undertaking	( 549,639)	-
	31 May 1996	-	( 1,665,376)
18	<b>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</b>	1996 £	1995 £
	Loss for the financial year	( 2,005,069)	( 5,867)
	Net deduction from shareholders' funds	( 2,005,069)	( 5,867)
	Opening shareholders' funds	2,589,693	2,595,560
	Closing shareholders' funds	584,624	2,589,693

19 **CONTINGENT LIABILITIES**

The company has entered into a cross guarantee in respect of the bank overdrafts of its holding and fellow subsidiary companies. At 31 May 1996 the total of these overdrafts amounted to £366,614.

# Filtronic Components Limited

## DETAILED PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1996

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### 20 RETIREMENT AND DEATH BENEFITS SCHEME

The company contributed to the Filtronic Limited Retirement and Death Benefit Scheme for eligible employees including directors.

The scheme, which provides defined benefits based on length of pensionable service and pensionable salary at retirement, is administered by trustees and its funds are independent of the Group's finances. Contributions to the scheme are charged to the profit and loss account so as to spread the costs of pensions over the employees' working lives with the company.

Contributions to the scheme are determined by a qualified actuary on the basis of a periodic valuation using the projected unit method. The most recent valuation was at 1 July 1994. The major actuarial assumptions used were that the return on the scheme's investments would be 9% per annum, that the pensionable earnings would increase at the rate of 7% per annum, and that present and future pensions would increase at the rate of 5% per annum for category A members and 3% for category B members.

The valuation showed that the scheme's assets were valued at £2,200,432 and that the actuarial value of those assets represented 101% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

### 21 ULTIMATE HOLDING UNDERTAKING

The ultimate holding undertaking at 31 May 1996 was Filtronic Limited, a company incorporated in Great Britain.