



Schenck Test Automation Limited
(formerly Ricardo Test Automation Limited)

Annual report and financial statements
for the 18 month period ended 31 December 2001

Registered number: 01676643



Directors' report

For the 18 month period ended 31 December 2001

The directors present their annual report on the affairs of the company together with the financial statements and auditors' report for the 18 month period ended 31 December 2001.

Principal activities

The principal activities of the company continue to be the design and manufacture of engine and vehicle testing equipment.

Business review

In the opinion of the directors the results of the company for the period were satisfactory given the prevailing economic conditions.

Results and dividends

The audited financial statements for the 18 month period ended 31 December 2001 are set out on pages 6 to 17. The profit for the period before taxation was £137,714 (Year ended 30 June 2000 - £173,430).

The directors do not recommend payment of a dividend (Year ended 30 June 2000 - £134,980).

Change of name and accounting reference date

On 30 November 2001 the company changed its name from Ricardo Test Automation Limited to Schenck Test Automation Limited. The accounting reference date has also been changed to agree with that of the ultimate parent company.

Directors and their interests

The directors who served during the period and subsequently were as follows:

Mr G T Gillespie

Mr R Fulton (appointed 15 July 2002)

Mr M Hird (appointed 15 July 2002)

Mr F Haun (appointed 20 February 2001)

Mr K Goetz (appointed 20 February 2001)

Mr S Krischik (appointed 20 February 2001)

Mr A J Martyr (resigned 20 May 2002)

Mr J B Baker (Chairman) (resigned 20 February 2001)

Mr R J Westhead (resigned 20 February 2001)

Mr A R Goodburn (resigned 20 February 2001)

Mr C H Best (resigned 20 February 2001)

Mr J J Fowler (resigned 31 July 2001)

Mr A O R Ciriello (resigned 31 July 2001)

None of the directors had any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their training, career development and promotion should, as far as possible, be identical to that of other employees.

Employee consultation

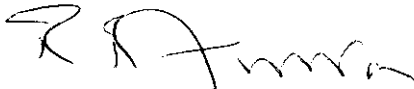
The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the company. This is achieved through formal and informal meetings.

Auditors

During the period PricewaterhouseCoopers resigned as auditors of the company and Arthur Andersen were appointed to fill the resulting vacancy. The directors have an elective resolution in place which dispenses with the need to hold an Annual General Meeting and appoint auditors annually.

Unit 16
Lowesmoor Wharf
Worcester
WR1 2RS

By order of the board



Roy Fulton

Secretary

25 July 2002

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

To the Shareholders of Schenck Test Automation Limited (formerly Ricardo Test Automation Limited)

We have audited the financial statements of Schenck Test Automation Limited (formerly Ricardo Test Automation Limited) for the 18 month period ended 31 December 2001, which comprise the Profit and loss account, the Balance sheet, and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom 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.

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 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 circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's profit for the 18 month period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

25 July 2002

Profit and loss account

For the 18 month period ended 31 December 2001

	Notes	18 month period ended 31 December 2001 £	Year ended 30 June 2000 £
Turnover	1	9,638,064	8,022,205
Cost of sales		(6,975,818)	(5,985,993)
Gross profit		2,662,246	2,036,212
Administrative expenses		(2,506,848)	(1,879,519)
Operating profit		155,938	156,693
Interest receivable and similar income		10,608	17,257
Interest payable and similar charges	2	(28,292)	(520)
Profit on ordinary activities before taxation	3	137,714	173,430
Tax on profit on ordinary activities	5	(67,376)	(74,502)
Profit on ordinary activities after taxation		70,338	98,928
Dividends paid and proposed	6	-	(134,980)
Retained profit (loss) for the financial period	14	70,338	(36,052)

Turnover and operating profit derive entirely from continuing operations.

There were no recognised gains or losses in either period other than the profit for the period.

The accompanying notes are an integral part of this profit and loss account.

Balance sheet

As at 31 December 2001

	Notes	31 December 2001 £	30 June 2000 £
Fixed assets			
Tangible assets	7	275,829	405,132
Investments	8	8,000	8,000
		<u>283,829</u>	<u>413,132</u>
Current assets			
Stocks	9	552,194	478,040
Debtors	10	1,775,988	2,642,565
Cash at bank and in hand		90,647	79,260
		<u>2,418,829</u>	<u>3,199,865</u>
Creditors: Amounts falling due within one year	11	<u>(1,997,469)</u>	<u>(2,978,146)</u>
Net current assets		<u>421,360</u>	<u>221,719</u>
Net assets		<u>705,189</u>	<u>634,851</u>
Capital and reserves			
Called-up share capital	13	97,884	97,884
Share premium account	14	8,487	8,487
Profit and loss account	14	598,818	528,480
		<u>705,189</u>	<u>634,851</u>
Shareholders' funds - all equity	15	<u>705,189</u>	<u>634,851</u>

The financial statements on pages 6 to 17 were approved by the board of directors on 25 July 2002 and signed on its behalf by:

G T Gillespie

Director



25 July 2002

The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2001

A summary of the principal accounting policies, all of which have been applied consistently throughout the period and the preceding year, is set out below.

Basis of accounting

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

In accordance with Financial Reporting Standard 1 (Revised), the company has not presented a cash flow statement as more than 90% of its voting rights are controlled within the group and the consolidated financial statements in which the results of this company are included are publicly available.

In accordance with Section 228 of the Companies Act 1985, the company has not prepared consolidated financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on a straight-line basis to write off the cost, less estimated residual value, of all tangible fixed assets, other than freehold land, over their expected useful lives. It is calculated at the following annual rates:

Short leasehold improvements	- period of lease
Plant and equipment	- between 5 and 10 years
Motor vehicles	- between 4 and 5 years

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

Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow moving or defective items where appropriate.

Taxation

UK corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method in respect of timing differences to the extent that it is probable that a liability or asset will crystallise in the future.

Statement of accounting policies (continued)

Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Research and development costs

Expenditure on research and development is written off in the year in which the expenditure is incurred.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the related forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the related forward contract rate. 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.

Pension costs

The company contributes to a defined contribution pension scheme. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Difference between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Turnover

Turnover comprises sales in the ordinary course of business to external customers for goods supplied and services provided, net of trade discounts, VAT and other sales related taxes.

On contracts, the company records transactions on sales on the basis of value of work done with the corresponding amount being included in trade debtors as amounts recoverable on contracts. Advanced payments received from customers are included in creditors and amounts are set off against the value of work undertaken as the contracts progress.

Notes to financial statements

31 December 2001

1 Segmental analysis

Turnover, operating profit and operating net assets, all originate from the principal activities of the company in the UK.

Turnover by geographical destination is as follows:

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
United Kingdom	7,664,742	3,787,682
Rest of Europe	557,199	597,974
North America	1,023,424	3,411,667
Australia	54,394	21,812
Asia	316,886	68,222
Rest of World	21,419	134,848
	<u>9,638,064</u>	<u>8,022,205</u>

2 Interest payable and similar charges

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
Intercompany	26,423	-
Bank interest payable	<u>1,869</u>	<u>520</u>
	<u>28,292</u>	<u>520</u>

Notes to financial statements (continued)

3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
Depreciation and amounts written off tangible fixed assets		
- owned	243,961	197,596
Operating lease rentals		
- plant and machinery	129,641	61,667
- other	209,655	111,459
Research and development	87,266	67,924
Auditors' remuneration		
- audit	15,000	13,000
- non-audit services	-	-

4 Staff costs

The average monthly number of persons employed by the company during the period was as follows:

	18 months ended 31 December 2001 Number	Year ended 30 June 2000 Number
Production	49	50
Administration	22	23
	<u>71</u>	<u>73</u>

Notes to financial statements (continued)

4 Staff costs (continued)

Particulars of employees (including executive directors) are shown below:

Their aggregate remuneration comprised:

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
Wages and salaries	3,044,501	1,977,391
Social security costs	316,978	201,812
Other pension costs	115,215	77,578
	<u>3,476,694</u>	<u>2,256,781</u>

Directors remuneration:

The remuneration of the directors was as follows:

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
Emoluments (excluding pensions)	<u>449,862</u>	<u>281,682</u>

Pensions:

The number of directors who were members of pension schemes was as follows:

	18 months ended 31 December 2001 Number	Year ended 30 June 2000 Number
Defined contribution scheme	<u>4</u>	<u>5</u>

The highest paid director received total emoluments of £188,557 for the 18 month period ended 31 December 2001 (Year ended 30 June 2000: £80,835). £6,705 was paid into the defined contribution scheme on his behalf for the 18 month period ended 31 December 2001 (Year ended 30 June 2000: £2,275).

Notes to financial statements (continued)

5 Tax on profit on ordinary activities

The tax charge comprises:

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
UK corporation tax	<u>67,376</u>	<u>74,502</u>

6 Dividends paid and proposed

	18 months ended 31 December 2001 £	Year ended 30 June 2000 £
Interim dividends of Nil pence (2000 – 138 pence) per ordinary share	<u>-</u>	<u>134,980</u>

7 Tangible fixed assets

	Short leasehold improvements £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At 1 July 2000	305,828	935,193	95,874	1,336,895
Additions	5,262	115,607	9,400	130,269
Disposals	-	(17,014)	(26,458)	(43,472)
At 31 December 2001	<u>311,090</u>	<u>1,033,786</u>	<u>78,816</u>	<u>1,423,692</u>
Depreciation				
At 1 July 2000	224,751	652,484	54,528	931,763
Charge for the period	81,947	149,803	12,211	243,961
Disposals	-	(15,087)	(12,774)	(27,861)
At 31 December 2001	<u>306,698</u>	<u>787,200</u>	<u>53,965</u>	<u>1,147,863</u>
Net book value				
At 1 July 2000	<u>81,077</u>	<u>282,709</u>	<u>41,346</u>	<u>405,132</u>
At 31 December 2001	<u>4,392</u>	<u>246,586</u>	<u>24,851</u>	<u>275,829</u>

Notes to financial statements (continued)

8 Investments

	31 December 2001 £	30 June 2000 £
Shares at cost	<u>8,000</u>	<u>8,000</u>

The company has a 100% investment in the ordinary share capital of the following company:

Name	Country of Incorporation	Class of share	Principal activity
Test Equipment Limited	England and Wales	Ordinary £1	Dormant

9 Stocks

	31 December 2001 £	30 June 2000 £
Raw materials	454,433	411,694
Work in progress	<u>97,761</u>	<u>66,346</u>
	<u>552,194</u>	<u>478,040</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

10 Debtors

	31 December 2001 £	30 June 2000 £
Amounts falling due within one year:		
Trade debtors	911,469	930,249
Amounts owed by group undertakings	201,474	437,580
Amounts recoverable on contracts	604,991	1,179,758
Prepayments and accrued income	<u>58,054</u>	<u>94,978</u>
	<u>1,775,988</u>	<u>2,642,565</u>

Notes to financial statements (continued)

11 Creditors: Amounts falling due within one year

	31 December 2001 £	30 June 2000 £
Overdraft	-	314,578
Trade creditors	617,994	1,077,409
Payments received on account	247,415	299,813
Amounts owed to group undertakings	843,173	963,961
UK corporation tax	73,890	90,502
Other taxation and social security	176,468	64,274
Accruals and deferred income	37,988	74,942
Other creditors	541	92,667
	<u>1,997,469</u>	<u>2,978,146</u>

12 Provisions for liabilities and charges

Deferred taxation provided and deferred taxation not provided are as follows:

	Provided		Not provided (asset)	
	31 December 2001 £	30 June 2000 £	31 December 2001 £	30 June 2000 £
Accelerated capital allowances	<u>-</u>	<u>-</u>	<u>(28,213)</u>	<u>(10,812)</u>

13 Called-up share capital

	31 December 2001 £	30 June 2000 £
<i>Authorised</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>
<i>Issued, called-up and fully-paid</i>		
97,884 ordinary shares of £1 each	<u>97,884</u>	<u>97,884</u>

Notes to financial statements (continued)

14 Reserves

	Share premium account £	Profit and loss £
At 1 July 2000	8,487	528,480
Retained profit for the financial period	-	70,338
At 31 December 2001	8,487	598,818

15 Reconciliation of movements in shareholders' funds

	31 December 2001 £	30 June 2000 £
Profit for the financial period	70,338	98,928
Dividends	-	(134,980)
Net additions to (reduction in) shareholders' funds	70,338	(36,052)
Opening shareholders' funds	634,851	670,903
Closing shareholders' funds	705,189	634,851

16 Financial commitments

a) Lease commitments

The annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	31 December 2001 £	30 June 2000 £	31 December 2001 £	30 June 2000 £
Operating leases which expire:				
- between one and five years	138,428	115,079	209,563	73,747

b) Contingent liabilities

There were no contingent liabilities at either year end.

Notes to financial statements (continued)

17 Pension arrangements

The company operates a defined contribution scheme. The pension cost charge for the 18 month period ended 31 December 2001 amounted to £115,215 (Year ended 30 June 2000: £77,578).

18 Related party transactions

The company has taken advantage of the exemption within Financial Reporting Standard 8, which does not require disclosure of transactions between a subsidiary undertaking and other group undertakings, as more than 90% of the company's voting rights are controlled within the group.

19 Ultimate parent company and controlling party

The ultimate parent company and controlling party is Duerr AG, a company registered in Germany.

Duerr AG is the parent company of the group of which the company is a member and for which group financial statements are drawn up. Copies of these consolidated financial statements are available from Duerr AG, Otto-Durr-Straße 8, D-70435, Stuttgart.

20 Prior year comparatives

The 30 June 2000 figures are shown for comparative purposes only and were audited by a firm of chartered accountants other than Arthur Andersen.