

2212202

Directors

Mr M.Heikkonen	(Chairman)
Mr I.Seppä	(resigned 1/10/94)
Mr M.Phillips	(resigned 31/12/94)
Mr K.Suneli	
Mr M.von Hertzen	(resigned 15/8/94)
Mr P.Oranen	
Mr E.Vallström	
Mr H.M. Kosonen	(appointed 1/10/94)
Mr S.Derry	(appointed 15/8/94)
Mr P. Kuhne	(appointed 1/1/95)

Secretary

Mr H.M. Kosonen

Registered office

Lancaster House
Ermine Business Park
Huntingdon
Cambs PE18 6XU

Auditors

Coopers & Lybrand
Mount Pleasant House
Huntingdon Road
Cambridge
CB3 0BL

Bankers

National Westminster Bank PLC
10 Bene't Street
Cambridge
CB2 3PU



NOKIA TELECOMMUNICATIONS LTD
DIRECTORS REPORT
YEAR ENDED 31ST DECEMBER 1994

The directors have pleasure in presenting their report and financial statements for the year ended 31st December 1994.

Directors

Details of the directors can be seen on page 1 of this report.

Oy Nokia Ab has arranged insurance cover for all directors and executive officers of the company in respect of liability in relation to the company.

Result and Dividend

The profit for the the year after taxation amounted to £1,389,000 (1993 £1,410,000) which has been added to reserves.

The directors do not recommend the payment of a dividend.

Principal activities and business review

The principal activities of the company are the development, manufacturing, marketing, sales, implementation and services of telecommunications equipment and systems. During 1994 the company operated as a customer segmented sales and marketing organisation, backed by three global product lines, namely Cellular Systems, Transmission Systems and Switching Systems.

1994 saw a continuation of growth in all areas of our operations. The turnover of Nokia Telecommunications Ltd increased from £133 M in 1993 to £226M in 1994.

The number of personnel increased from 525 at the end of 1993, to 761 at the end of 1994.

Capital expenditure was £10.2 M comprising mainly R&D and manufacturing equipment. Capital expenditure approved at 31st December 1994 includes £27M for the construction of new manufacturing facilities during 1995.

Due to the rapid expansion of our business, the considerable investment both in fixed and working capital, combined with the expansion of the manufacturing facilities resulted in the negative cash flow shown on the cash flow statement.

The coming year will see a further growth in sales including the potential for a significant increase in the export of goods manufactured in the UK. The directors' confidence for positive future prospects is based on strong order inflow and Nokia's reputation for innovation, technical excellence and quality.

Changes in Fixed Assets

The changes in fixed assets can be seen in note 8 .

Directors interest in shares

The directors of the company have no interest in the shares of the company other than by the way of their interest in the shares of Oy Nokia Ab.

Employees

Disabled employees

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

NOKIA TELECOMMUNICATIONS LTD
DIRECTORS REPORT
YEAR ENDED 31ST DECEMBER 1994

Employee consultation

The group places considerable value on the involvement of its employees and keeps them informed on matters affecting them and on the various factors affecting the performance of the group.

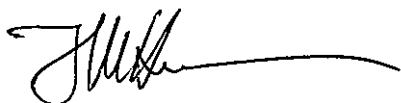
Income and Corporation Taxes Act 1988

In the opinion of the directors the company is not a close company as defined by the Act.

Auditors

Coopers & Lybrand are the company's Auditors. In accordance with section 386 of the Companies Act 1985 the company has passed an elective resolution dispensing with the requirement to appoint auditors annually.

By order of the board,



H.M Kosonen
Secretary

14th February, 1995


NOKIA TELECOMMUNICATIONS LTD
DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 judgments 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;
- 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



H.M. Kosonen
Company Secretary

NOKIA TELECOMMUNICATIONS LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 1994

	Notes	1994 £'000	1993 £'000
TURNOVER	2	225,853	133,457
Cost of sales		<u>198,254</u>	<u>117,616</u>
GROSS PROFIT		27,599	15,841
Research and development expenses		18,043	11,139
Administrative expenses		<u>1,889</u>	<u>1,495</u>
OPERATING PROFIT		7,667	3,207
Interest receivable and similar income	3	251	720
PROFIT BEFORE INTEREST PAYABLE		<u>7,918</u>	<u>3,927</u>
Interest payable	4	5,156	1,710
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>2,762</u>	<u>2,217</u>
Taxation on profit on ordinary activities	7	1,373	807
RETAINED PROFIT FOR THE YEAR	14	<u><u>1,389</u></u>	<u><u>1,410</u></u>

Movements in reserves are set out in note 14

All revenue and expenses included in the profit & loss account relate to continuing operations.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been included.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 9 to 21 form part of these financial statements.

NOKIA TELECOMMUNICATIONS LTD
BALANCE SHEET
31ST DECEMBER 1994

	Notes	1994 £'000	1993 £'000
FIXED ASSETS			
Tangible Assets	8	20,549	13,483
CURRENT ASSETS			
Stocks	10	31,238	22,339
Debtors	11	47,754	38,450
Cash at bank		<u>712</u>	<u>6,031</u>
		79,704	66,820
CREDITORS: amounts falling due within one year	12	<u>80,744</u>	<u>67,647</u>
NET CURRENT LIABILITIES		<u>(1,040)</u>	<u>(827)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		19,509	12,656
PROVISION FOR LIABILITIES AND CHARGES	13	10,147	4,684
NET ASSETS		<u><u>9,362</u></u>	<u><u>7,972</u></u>
Represented by:			
CAPITAL AND RESERVES	14		
Called up share capital		7,300	7,300
Profit and loss account		<u>2,062</u>	<u>672</u>
SHAREHOLDERS' FUNDS	14	<u><u>9,362</u></u>	<u><u>7,972</u></u>

Shareholder's funds are all attributable to equity shares.

Approved by the Board of Directors on 14th February 1995 and signed on their behalf.


Mr P. Kuhne

)

)

)

)

)

)

)

)

)

)

)

)

)

Directors

Mr H.M. Kosonen

The notes on pages 9 to 21 form part of these financial statements.

NOKIA TELECOMMUNICATIONS LTD
CASH FLOW STATEMENT
YEAR ENDED 31ST DECEMBER 1994

	Notes	1994 £'000	1993 £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	15	<u>2,316</u>	<u>(5,231)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		232	277
Interest paid		<u>(3,683)</u>	<u>(1,710)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		<u>(3,451)</u>	<u>(1,433)</u>
TAXATION			
Corporation tax (paid)/refunded		<u>(60)</u>	<u>173</u>
INVESTING ACTIVITIES			
Purchase of tangible fixed assets		(10,203)	(3,951)
Sales of tangible fixed assets		73	3
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		<u>(10,130)</u>	<u>(3,948)</u>
NET CASH OUTFLOW BEFORE FINANCING		(11,325)	(10,439)
FINANCING			
New unsecured short term loans		9,984	-
NET CASH INFLOW FROM FINANCING	16	<u>9,984</u>	<u>-</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	17	<u><u>(1,341)</u></u>	<u><u>(10,439)</u></u>

The notes on pages 9 to 21 form part of these financial statements.

1. ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention and 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:-

(b) Depreciation

Tangible assets:	Rate	Method
Freehold Buildings	4% p.a	Straight Line
Improvements to leasehold property	Over the period of the lease.	Straight Line
Fixtures, fittings, tools and equipment	10-20% p.a	Straight Line

Freehold land is not depreciated.

Assets purchased during the year are depreciated by the relevant fraction of the above rates.

The rates used are designed to write the assets down to residual value over their expected useful lives.

(c) Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the operating profit. In the opinion of the directors there are no assets held under finance leases.

(d) Stocks

Stocks have been valued at the lower of cost and net realisable value, after making allowances for any obsolete or slow moving items. Cost comprises the original purchase price and any direct costs attributable to location and condition. Net realisable value is the amount estimated to be subsequently receivable less costs to completion and related selling and distribution costs. In the opinion of the directors, this valuation is not materially different from replacement cost.

1. ACCOUNTING POLICIES (continued)

(e) Research and development expenditure

All such expenditure is written off in the year in which incurred, except for expenditure on related fixed assets which is written off over the expected useful lives of these assets.

(f) Deferred taxation

Tax deferred is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made, or the asset is recognised, at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted.

(g) Foreign exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in trading profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Foreign exchange contracts and currency options are used to hedge the potential exchange rate exposure and the profit or loss on such transactions is taken to profit and loss account.

The company's open forward contracts and currency options at 31/12/94 are revalued at year end closing rates.

(h) Pension scheme

Nokia Telecommunications Limited has been a participating company of the Nokia Group (UK) Pension Scheme since 1 June 1990. This is a funded group pension scheme which provides both benefits based on final pensionable pay and benefits dependent upon contributions paid. The assets of the scheme are held separately from those of the group, being invested with London & Manchester (Managed Funds) Limited.

1. ACCOUNTING POLICIES (continued)

(h) Pension scheme(cont)

Contributions to the defined benefit tier of the scheme are based upon pension costs across the group as a whole, whereas contributions to the defined contribution tier of the scheme are fixed. Contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' expected working lives with the participating companies.

(i) Turnover

Turnover represents equipment sales and services provided net of value added tax. All turnover originated in the U.K.

2. SEGMENTAL ANALYSIS

Turnover and profits or losses on ordinary activities before taxation were contributed or charged as follows:

	1994	1993
	£'000	£'000
Turnover		
Equipment sales and related services	224,488	132,290
Product development work for group undertakings	1,365	1,167
	<u>225,853</u>	<u>133,457</u>

	1994	1993
	£'000	£'000
Geographical analysis by destination:		
United Kingdom	141,060	116,489
Other EU countries	69,352	12,498
Nordic countries	9,608	4,422
Other countries	5,833	48
	<u>225,853</u>	<u>133,457</u>

	1994	1993
	£'000	£'000
Profit on ordinary activities before taxation		
Equipment sales and related services	2,590	2,078
Product development work for group undertakings	172	139
	<u>2,762</u>	<u>2,217</u>

3.INTEREST RECEIVABLE AND SIMILAR INCOME	1994	1993
	£'000	£'000
Interest receivable on short term bank deposits	75	28
Other interest received from group undertakings	79	138
Other interest	97	30
Gains on foreign exchange transactions	-	524
	<u>251</u>	<u>720</u>

4.INTEREST PAYABLE AND SIMILAR CHARGES	1994	1993
	£'000	£'000
On bank loans, overdrafts and other loans:		
Repayable within 5 years (not by instalments)	2,151	1,710
Losses on foreign exchange transactions	3,005	-
	<u>5,156</u>	<u>1,710</u>

5.PROFIT ON ORDINARY ACTIVITIES

BEFORE TAXATION	1994 £'000	1993 £'000
The above is stated after charging / (crediting):		
Depreciation - tangible assets	3,039	2,233
Loss/(profit) on disposal of tangible fixed assets	25	(1)
Auditors' remuneration	44	40
Auditors' non -audit remuneration	65	50
Hire of plant and machinery	883	713
Operating leases -plant and machinery	747	670
-land and buildings	<u>1,683</u>	<u>1,365</u>

6.EMPLOYEES

	1994 £'000	1993 £'000
Staff cost during the year including directors:		
Wages and salaries	14,699	9,955
Social security costs	1,069	786
Other pension costs (See Note 19)	<u>609</u>	<u>413</u>
	<u>16,377</u>	<u>11,154</u>

The average number of persons employed calculated on a weekly basis was:

	1994 Number	1993 Number
Administration	32	29
Marketing	85	57
Customer Services Centre	127	86
Production	240	149
Research and Development	<u>161</u>	<u>127</u>
	<u>645</u>	<u>448</u>

NOKIA TELECOMMUNICATIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 1993

DIRECTORS' REMUNERATION

1994

1993

£'000

£'000

Staff costs include the following remuneration in respect of the directors:

Emoluments (including pension contributions) for management services

321

146

The directors remuneration disclosed above (excluding pension contributions) included amounts paid to:

Chairman

-

-

Highest paid director

206

78

The number of directors who received emoluments (excluding pension contributions) was:

1994

1993

Number

Number

£0-£5000

5

6

£5,001 - £20,000

1

-

£30,001 - £35,000

1

-

£35,001 - £40,000

1

-

£60,001 - £65,000

-

1

£75,001 - £80,000

-

1

£205,001 - £210,000

1

-

7.TAXATION ON ORDINARY ACTIVITIES

1994

1993

£'000

£'000

U.K. Corporation tax at 33%

1,950

1,314

In respect of prior years

(1,088)

Consideration for tax losses surrendered to group undertakings:

In respect of previous years

4

-

Transfer from deferred taxation

507

(507)

1,373

807

NOKIA TELECOMMUNICATIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 1994

8. TANGIBLE FIXED ASSETS

	Freehold Land & buildings	Improvements to leasehold property	Fixtures fittings, tools & equipment	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1st January 1994	5,649	2,499	9,352	17,500
Additions	2	1,147	9,054	10,203
Disposals	-	(10)	(566)	(576)
At 31st December 1994	<u>5,651</u>	<u>3,636</u>	<u>17,840</u>	<u>27,127</u>
Accumulated depreciation:				
At 1st January 1994	241	352	3,424	4,017
Charge for the year	127	350	2,562	3,039
Eliminated on disposals	-	(5)	(473)	(478)
At 31st December 1994	<u>368</u>	<u>697</u>	<u>5,513</u>	<u>6,578</u>
Net book value:				
At 31st December 1994	<u>5,283</u>	<u>2,939</u>	<u>12,327</u>	<u>20,549</u>
At 31st December 1993	<u>5,408</u>	<u>2,147</u>	<u>5,928</u>	<u>13,483</u>

9 COMMITMENTS

	1994 £'000	1993 £'000
(a) Capital expenditure that has been contracted for but not provided for in the accounts	7,903	531
(b) Capital expenditure authorised but not contracted	23,185	-

(c) Operating leases

The company has the following commitments under non-cancellable operating leases.

	1994 Land and Buildings £'000	1994 Others £'000	1993 Land and Buildings £'000	1993 Others £'000
Operating leases expiring:				
Within one year from the balance sheet date	-	52	-	65
Two to five years	1,056	419	470	433
More than five years	436	-	380	-
	<u>1,492</u>	<u>471</u>	<u>850</u>	<u>498</u>

NOKIA TELECOMMUNICATIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31st DECEMBER 1994

10 STOCKS	1994	1993
	£'000	£'000
Raw materials	13,200	8,976
Work in progress	2,717	1,944
Finished goods and goods for resale	15,321	11,419
	<u>31,238</u>	<u>22,339</u>

11 DEBTORS	1994	1993
	£'000	£'000
Trade debtors	27,216	30,264
Amounts owed by group undertakings: Parent & fellow subsidiaries	16,180	6,611
Other debtors	3,540	1,017
Prepayments and accrued income	818	558
	<u>47,754</u>	<u>38,450</u>

Included in trade debtors are amounts totalling £642,000 (1993 £629,000) due after one, but less than five years from the balance sheet date.

12 CREDITORS	1994	1993
	£'000	£'000
Amounts falling due within one year:		
Bank loan and overdraft (see below)	36,792	30,070
Payments received on account	1,501	212
Trade creditors	10,572	5,670
Amounts due to group undertakings: Parent & fellow subsidiaries	24,383	23,992
Corporation Tax payable: payable 30th Sept 1995	2,120	1,314
Other taxation and social security payable	530	398
Other creditors	56	-
Accruals and deferred income	4,790	5,991
	<u>80,744</u>	<u>67,647</u>

All bank loans are short-term, repayable within 1 year and are unsecured.

13

(a) PROVISIONS FOR CONTRACTUAL OBLIGATIONS AND WARRANTY

	Provision for contract losses & warranties £'000
As 1st January 1994	4,684
Transferred to profit and loss account	6,069
Released from 1993 Provision	(606)
At 31st December 1994	<u>10,147</u>

(b) DEFERRED TAXATION

The full potential provision on deferred taxation calculated under the liability method, together with the asset recognised in the financial statements (refer to Note 11), is analysed below:

	Full potential liability/(Asset)		Recognised in financial statements	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Accelerated capital allowances	1,178	680	1,178	680
Other timing differences	(1,187)	(1,187)	(1,178)	(1,187)
Tax losses carried forward	-	-	-	-
	<u>(9)</u>	<u>(507)</u>	<u>-</u>	<u>(507)</u>

14 CAPITAL AND RESERVES

	1994	1993
	£'000	£'000
a) Share capital		
Authorised		
10,000,000 ordinary shares £1 each.	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid ordinary £1 shares	<u>7,300</u>	<u>7,300</u>

14 CAPITAL AND RESERVES

b) Profit and loss Account	1994 £'000	1993 £'000
Retained Profit brought forward	673	(737)
Accumulated Profit for the year	1,389	1,410
Accumulated Profit carried forward	<u>2,062</u>	<u>673</u>

c) Reconciliation of movements in shareholders' funds

	1994 £'000	1993 £'000
Profit for the financial year	1,389	1,410
Opening shareholders' funds	<u>7,973</u>	<u>6,562</u>
Closing shareholders' funds	<u>9,362</u>	<u>7,972</u>

15 NET CASH FLOW FROM OPERATING ACTIVITIES

	1994 £'000	1993 £'000
Operating profit	7,667	3,207
Increase in provision for contractual obligations and warranties	5,463	3,744
Loss/(Profit) on disposal of fixed assets	25	(1)
Depreciation	3,039	2,233
(Increase) in stock	(8,899)	(8,692)
(Increase)/decrease in trade debtors	3,048	(8,247)
(Increase) in amounts owed from group undertakings	(9,867)	(6,128)
(Increase) in other debtors	(3,030)	(310)
(Increase) in prepayments and accrued income	(260)	(155)
Increase in payments received on account	1,289	131
Increase in trade creditors	4,902	3,174
(Decrease)/increase in amounts due to group undertakings	(976)	2,436
Increase/(decrease) in other taxation and social security	132	(431)
Increase/(decrease) in other creditors	56	(45)
(Decrease)/increase in accruals and deferred income	(273)	3,853
	<u>2,316</u>	<u>(5,231)</u>

16. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share Capital	Short term loans
	£'000	£'000
Balance at 31st December 1993	7,300	-
New short term loans	-	9,984
Un-realised Foreign Exchange Loss	-	254
Accrued Interest on Loans	-	462
Balance at 31st December 1994	<u>7,300</u>	<u>10,700</u>

17. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS
DURING THE YEAR

	1994 £'000	1993 £'000
Balance at 31st December 1993	(24,039)	(13,600)
Net cash (outflow)/inflow	<u>(1,341)</u>	<u>(10,439)</u>
Balance at 31st December 1994	<u>(25,380)</u>	<u>(24,039)</u>

ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS AS
SHOWN IN THE BALANCE SHEET

1994	1994 £'000	1993 £'000	Change in year £'000
Cash at bank and in hand	712	6,031	(5,319)
Bank overdrafts and short term loans	<u>(26,092)</u>	<u>(30,070)</u>	<u>3,978</u>
	<u>(25,380)</u>	<u>(24,039)</u>	<u>(1,341)</u>

1993	1993 £'000	1992 £'000	Change in year £'000
Cash at bank and in hand	6,031	5,293	738
Bank overdrafts and short term loans	<u>(30,070)</u>	<u>(18,893)</u>	<u>(11,177)</u>
	<u>(24,039)</u>	<u>(13,600)</u>	<u>(10,439)</u>

18. CONTINGENT LIABILITIES

The Company is liable, under the terms of a cash pooling arrangement with National Westminster Bank plc, to contribute to the overdrafts of its holding company Nokia (UK) Ltd and of Oy Nokia Ab. The Company's liability is limited to its cash balance at any time on its account with that bank. At 31st December 1994 the aggregate amount of cash balances which would be set off against fellow UK subsidiaries cash balances with the bank was £3,363,200 (1993 £3,491,260).

The Company has given a counter indemnity to National Westminster Bank plc in respect of a duty deferment bond in favour of H M Customs and Excise in the sum of £3,600,000 (1993 £3,600,000). At 31st December 1994 the balance outstanding on the deferment account against which the bond could be offset was £1,790,375 (1993 £1,543,606)

During the ordinary course of its business the company issues performance bonds to its customers and other related parties. The value of these bonds at 31 December 1994 was £766,583 (1993 £2,908,440)

The directors consider that the likelihood of any loss arising from any of these arrangements is remote.

19. PENSION SCHEME

The most recent actuarial valuation (as at 1st April, 1993) showed that the market value of the Scheme's assets was £3,438,000 and that the actuarial value of those assets represented 95% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

The projected unit credit method has been applied by the actuary in arriving at his valuation. The main assumptions used are:

	Per Annum
Long term investment return	9.00%
Long term salary increases	7.50%
Pension increases	5.00%
Dividend growth	4.25%

The pension charge for the year is shown in Note 6.

20. PARENT COMPANY

The Company is a wholly owned subsidiary of Nokia (UK) Ltd, a company registered in England and Wales. Copies of the consolidated financial statements of Nokia (UK) Ltd may be obtained from:

Lancaster House
Ermine Business Park
Huntingdon
Cambridgeshire

21. ULTIMATE HOLDING COMPANY

The ultimate holding company is Oy Nokia Ab, a company incorporated in Finland.

Report of the auditors to the members of
Nokia Telecommunications Limited

We have audited the financial statements on pages 6 to 21.

Respective responsibilities of directors and auditors

As described on page 5 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 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 affairs of the company at 31 December 1994 and of the profit and cash flows of the company for the year then ended and have been properly prepared in accordance with the Companies act 1985.

Cooper & Lybman

Chartered Accountants and Registered Auditors
Cambridge

Date *16 February 1995.*