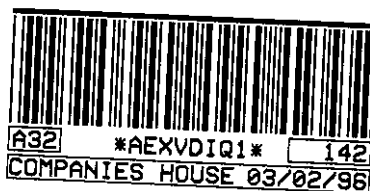


# Filtronic Comtek (UK) Limited

## FINANCIAL STATEMENTS

for the year ended

31 May 1995



**Filtronic Comtek (UK) Limited**  
**REPORTS AND FINANCIAL STATEMENTS**  
for the year ended 31 May 1995  
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# Filtronic Comtek (UK) Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

Professor J D Rhodes OBE FRS - Chairman  
A R Needle  
E E Sloan  
Dr M Perkins  
P D Sleigh  
R D Young  
M Vaux  
D L Adam

### SECRETARY

J Samuel

### COMPANY NUMBER

2700306 (England and Wales)

### REGISTERED OFFICE

Acorn Park  
Charlestown  
Shipley  
West Yorkshire  
BD17 7SW

### AUDITORS

Baker Tilly  
Chartered Accountants  
Carlton House  
Grammar School Street  
Bradford  
BD1 4NS

Ernst & Young  
Chartered Accountants  
Cloth Hall Court  
14 King Street  
Leeds  
LS1 2JN

# Filtronic Comtek (UK) Limited

## CHAIRMAN'S STATEMENT

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I am pleased to report record sales and profits for the company. Sales have increased by 146% to £15.25m and trading profit by 149% to £2.37m.

The company's business achievements are founded upon our pre-eminent position in microwave engineering combined with the highest standards of quality in manufacturing, delivery and customer support. It is these qualities which have established the company as a leading supplier of customised microwave products for the global wireless telecommunications market.

This market continues to grow at an extraordinary pace. To maintain our support to customers across an ever increasing breadth of product and number of programmes requires continued investment in engineering, equipment and facilities.

The flotation of the parent company Filtronic Comtek plc in October 1994 has enabled us to do this. Work is well advanced on constructing a 65,000 square feet new facility in Shipley which is scheduled for completion in February 1996.

Additionally, we have enhanced our property in Scotland to create an additional 10,000 square feet of first class electronic manufacturing capability. Initially, Scotland housed only our machine shop but we have now established ferrite product design and manufacturing facilities there too.

Our engineering continues to provide innovative solutions to the technically complex problems which increasingly confront our customers. We remain extremely well positioned to take advantage of opportunities in the existing cellular and European PCN markets.

In line with the company's commitment to performance, quality and on time delivery schedule adherence, investment has been made in a new computerised manufacturing system. This system will further enhance the company's ability to respond quickly and efficiently to customer demand.

Rapid growth inevitably places substantial demands on all of our employees. It is through their exceptional and continuing efforts, for which I thank them all, that the company is able to look to the future with such confidence. I believe that this confidence will be fully justified with continued growth both in volume and profitability.



Professor J D Rhodes OBE, F.Eng., FRS  
Chairman

25 July 1995

# Filtronic Comtek (UK) Limited

## DIRECTORS' REPORT

---

The directors submit their report and the financial statements of Filtronic Comtek (UK) Limited for the year ended 31 May 1995.

### PRINCIPAL ACTIVITIES

The company is engaged in the design and manufacture of microwave components and subsystems for the mobile telecommunications and wireless loop network markets.

### REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

The review of the business and future developments are contained in the Chairman's statement on the preceding page.

### FINANCIAL RESULTS

The results of the period are set out in the profit and loss account on page 8. The position at the end of the period is shown in the balance sheet on page 9.

### DIVIDENDS

The directors do not recommend payment of a dividend in respect of the year. The profit retained of £6,487,614 is to be added to profit and loss account reserves.

### FIXED ASSETS

Changes in fixed assets are summarised in notes 9 and 10 to the financial statements. During the year the company sold the whole of its holding in Filtronic Comtek, Inc. to Filtronic Comtek plc for £5,000,000.

### RESEARCH AND DEVELOPMENT

During the year the company expended £486,459 (1994, £262,500) on research and development. None of these costs are customer funded and all of them are charged to the profit and loss account.

### DIRECTORS

The directors of the company during the year were as follows:

Prof J D Rhodes	Chairman
A R Needle	
E E Sloan	
P D Sleigh	(appointed 20 June 1994)
R D Young	(appointed 20 June 1994)
Dr M Perkins	(appointed 20 June 1994)
M Vaux	(appointed 31 August 1994)
D L Adam	(appointed 24 October 1994)
J Samuel	(resigned 20 June 1994)
S G Wilson	(resigned 20 June 1994)
Dr S A J Matykiewicz	(resigned 20 June 1994)
Dr D S G Chambers	(resigned 21 June 1994)

None of the directors had interests in the shares of the company during the year.

# Filtronic Comtek (UK) Limited

## DIRECTORS' REPORT

---

### DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors had interests in the ordinary shares of 10p each in the ultimate parent undertaking, Filtronic Comtek plc, as follows:

	<i>Ordinary shares of 10p each</i>	
	31.5.95	1.6.94*
E E Sloan	69,500	67,500
P D Sleigh	196,520	216,520
R D Young	-	-
Dr M Perkins	-	-
M Vaux	-	-
D L Adam	-	-

\* or date of appointment, if later.

On 20 June 1994 the company established the Initial Share Option Scheme under which 342,375 unapproved options over ordinary shares of 12.2787p each in the company were granted to certain directors and employees. On 14 October 1994 Filtronic Comtek plc, the ultimate parent undertaking, entered into agreements under which that company is obliged to purchase and the shareholder is obliged to sell shares allotted upon exercise of the options granted under the Initial Scheme. The consideration is defined as the allocation of 20 ordinary shares of 10p each in Filtronic Comtek plc for each ordinary share of 12.2787p in Filtronic Comtek (UK) Limited.

The rules of the Initial Scheme provide that, in each of the seven Option Exercise Periods between 1 October 1994 and 31 May 2001, an optionholder may exercise options in respect of that number of shares which is equal to one seventh of the total number of shares which are the subject of the option or 350 whichever is the greater. The Option Exercise Periods are 1 October 1994 to 30 September 1995, 1 October 1995 to 30 September 1996 and so on with the seventh and final period being 1 October 2001 to 31 May 2001. The rules also provide that if any option holder exercises options in any of the first three Option Exercise Periods, the resultant shares in the company cannot be sold until the beginning of the next Option Exercise Period.

Options held by directors at 31 May 1995 over ordinary shares of 12.2787p each in the company as part of the Initial Scheme were as follows:

	<i>No. of Shares</i>	<i>Price</i>	<i>Exercise Period</i>
E E Sloan	21,400	£6	1.10.94 - 31.5.2001
P D Sleigh	21,400	£6	1.10.94 - 31.5.2001
R D Young	5,300	£6	1.10.94 - 31.5.2001
Dr M Perkins	4,280	£6	1.10.94 - 31.5.2001
M Vaux	-	-	-
D L Adam	-	-	-

# Filtronic Comtek (UK) Limited

## DIRECTORS' REPORT

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The following directors held options in the ordinary shares of 10p each of Filtronic Comtek plc at 31 May 1995.

	<i>Executive Share Option Scheme</i>			<i>Save As You Earn Scheme</i>		
	<i>No. of Shares</i>	<i>Price</i>	<i>Exercise Period</i>	<i>No. of Shares</i>	<i>Price</i>	<i>Exercise Period</i>
E E Sloan	-	-	-	-	-	-
P D Sleigh	-	-	-	16,250	120p	1/1/2000 1/6/2000
R D Young	-	-	-	14,375	120p	1/1/2000 1/6/2000
Dr M Perkins	-	-	-	10,279	120p - 181p	1/1/2000 1/6/2001
M Vaux	40,000	105p - 257p	18/10/97 - 27/4/2005	-	-	-
D L Adam	60,000	105p	18/10/97 - 18/10/2004	-	-	-

The interests of the other directors in the share capital of the ultimate parent undertaking are given in that company's financial statements.

### POLITICAL AND CHARITABLE CONTRIBUTIONS

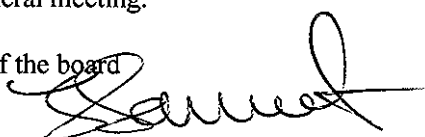
No contributions were made for political purposes. A total of £1,490 was donated to various charities.

### AUDITORS

A resolution to reappoint Baker Tilly and Ernst & Young as joint auditors will be put to the members at the annual general meeting.

By order of the board

J Samuel  
Secretary



25 July 1995

# Filtronic Comtek (UK) 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. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 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 COMTEK (UK) LIMITED

We have audited the financial statements on pages 8 to 21 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings and on the basis of the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors.

As described on page 6 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 1995 and of its profit 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

ERNST & YOUNG

Registered Auditor  
Chartered Accountants  
Cloth Hall Court  
14 King Street  
Leeds  
LS1 2JN

26 July 1995.

# Filtronic Comtek (UK) Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 May 1995

	<i>Notes</i>	1995 £	1994 £
SALES	1	15,253,022	6,195,286
Trading profit	2	2,365,582	948,231
Exceptional item	10	4,797,619	-
Interest receivable	6	74,458	-
Interest payable	7	(139,423)	(45,974)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		7,098,236	902,257
Taxation	8	610,622	275,000
RETAINED PROFIT FOR THE YEAR	20	6,487,614	627,257

The trading profit throughout the year arises from the company's continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 May 1995

		1995 £	1994 £
Profit for the financial year		6,487,614	627,257
Unrealised surplus on revaluation of properties	19	-	106,010
Total recognised gains and losses relating to the year		6,487,614	733,267

The profit as stated in the profit and loss account represents the historical cost profit for the year.

# Filtronic Comtek (UK) Limited

## BALANCE SHEET

31 May 1995

	Notes	1995 £	1994 £
<b>FIXED ASSETS</b>			
Tangible assets	9	2,968,577	1,277,993
Investments	10	-	202,381
		<u>2,968,577</u>	<u>1,480,374</u>
<b>CURRENT ASSETS</b>			
Stocks	11	2,030,682	1,078,462
Debtors	12	6,048,294	1,565,671
Cash at bank and in hand		632,663	112,794
		<u>8,711,639</u>	<u>2,756,927</u>
<b>CREDITORS: Amounts falling due within one year</b>	13	3,782,466	2,419,760
<b>NET CURRENT ASSETS</b>		<u>4,929,173</u>	<u>337,167</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,897,750</u>	<u>1,817,541</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	14	197,018	605,173
<b>NET ASSETS</b>		<u><u>7,700,732</u></u>	<u><u>1,212,368</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	170,015	170,000
Share premium account	17	735	-
Revaluation reserve	18	106,010	106,010
Profit and loss account	19	7,423,972	936,358
		<u>7,700,732</u>	<u>1,212,368</u>
<b>SHAREHOLDERS' FUNDS</b>	20	<u><u>7,700,732</u></u>	<u><u>1,212,368</u></u>

Approved by the board on 25 July 1995

Prof. J D Rhodes OBE, FRS )

) Directors

A R Needle )



# Filtronic Comtek (UK) Limited

## ACCOUNTING POLICIES

for the year ended 31 May 1995

---

### BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention incorporating the revaluation of certain fixed assets in accordance with applicable accounting standards.

### SALES

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

### 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 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. Exchange differences are included in the profit and loss account for the year.

### TANGIBLE FIXED ASSETS

Fixed assets are included in the financial statements at cost less accumulated depreciation. Freehold property is stated at valuation in 1994 plus subsequent additions at cost.

### 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, fittings and equipment	7 - 10 years
Motor vehicles	5 years

No depreciation has been charged in respect of freehold land, freehold buildings which have been revalued during the year or on buildings which are in the course of construction.

### 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 as incurred.

### GOVERNMENT GRANTS

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments. Revenue grants are released to profit over the life of the project to which they relate.

# Filtronic Comtek (UK) Limited

## ACCOUNTING POLICIES

for the year ended 31 May 1995

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### RESEARCH AND DEVELOPMENT EXPENDITURE

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

### 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 of raw materials and components together with direct labour and attributable overheads. Estimated net realisable value consists of the expected sales value less all costs required to bring the stock to its sales condition and location.

### 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.

### 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 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 Group.

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

### 1. SALES ANALYSED BY GEOGRAPHICAL MARKETS

The company's sales and profit before taxation were all derived from its principal activity.

	1995 £	1994 £
United Kingdom	9,498,450	4,904,054
United States of America	1,321,065	328,569
Rest of the World	4,433,507	962,663
	<u>15,253,022</u>	<u>6,195,286</u>

### 2. TRADING PROFIT

	1995 £	1994 £
Income:		
Sales	15,253,022	6,195,286
Increase in stocks of finished goods and work in progress	769,973	746,592
	<u>16,022,995</u>	<u>6,941,878</u>
Costs:		
Raw materials and consumables	8,290,362	3,734,219
Staff costs:		
Wages and salaries	2,348,738	1,181,144
Social security costs	235,381	116,312
Other pension costs	109,376	60,919
	<u>2,693,495</u>	<u>1,358,375</u>
Depreciation:		
Assets held under hire purchase contracts	151,800	130,301
Owned assets	228,496	42,195
	<u>380,296</u>	<u>172,496</u>
Other operating charges	2,293,260	728,557
	<u>13,657,413</u>	<u>5,993,647</u>
Trading profit	<u>2,365,582</u>	<u>948,231</u>

**Filtronic Comtek (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 May 1995

3. TRADING PROFIT

Trading profit is stated after charging/(crediting):

	1995 £	1994 £
Operating lease rentals:		
Land and buildings	50,726	14,878
Other	18,411	-
Research and development expenditure	486,459	262,500
Foreign exchange loss	5,318	-
Profit on disposal of tangible fixed assets	(51,807)	( 959)
Auditors' remuneration - Ernst & Young audit services	8,000	6,500
- non audit services	7,000	-
- Baker Tilly audit services	8,000	6,500
- non audit services	9,000	18,800

4. PARTICULARS OF STAFF

	1995 No.	1994 No.
Category of persons employed:		
Manufacturing, research and development	107	55
Sales and administration	35	15
Average number of persons employed	142	70

5. DIRECTORS' EMOLUMENTS

	1995 £	1994 £
Remuneration	347,024	101,389
Pension contributions	28,167	8,892
	375,191	110,281
Emoluments excluding pension contributions of the chairman	-	-
Emoluments excluding pension contributions of the highest paid director	71,688	51,452

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

### 5. DIRECTORS' EMOLUMENTS *(continued)*

Directors' emoluments excluding pension contributions fell in the following bands:

	1995 No.	1994 No.
Nil - £ 5,000	5	5
£35,001 - £40,000	2	1
£40,001 - £45,000	1	-
£45,001 - £50,000	2	-
£50,001 - £55,000	1	1
£70,000 - £75,000	1	-
	<u>12</u>	<u>7</u>

### 6. INTEREST RECEIVABLE

	1995 £	1994 £
Bank interest receivable	74,458	-
	<u>74,458</u>	<u>-</u>

### 7. INTEREST PAYABLE

	1995 £	1994 £
Interest on bank loans and overdrafts repayable in less than 5 years	95,089	3,525
Interest on bank loans repayable by instalments in more than 5 years	-	5,657
Finance charges payable under finance leases and hire purchase contracts	44,334	36,792
	<u>139,423</u>	<u>45,974</u>

### 8. TAXATION

	1995 £	1994 £
Corporation tax at 33% (1994 - 33%)	690,000	275,000
Adjustment to prior years	(79,378)	-
	<u>610,622</u>	<u>275,000</u>



# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

### 8. TAXATION (*continued*)

The tax charge for the year has been reduced by £69,000 (1994 - £26,000) principally as a result of capital allowances in excess of depreciation.

No tax charge arises on the transfer of the investment in the subsidiary undertaking to the ultimate parent undertaking. The profit on this intra-group transfer is shown as an exceptional item (see note 10).

### 9. TANGIBLE FIXED ASSETS

	<i>Freehold Land and Buildings</i>	<i>Plant and machinery</i>	<i>Fixtures and Fittings</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
1 June 1994	215,000	1,212,306	169,205	207,343	1,803,854
Additions	172,718	1,816,279	72,978	100,854	2,162,829
Group transfers	-	-	-	( 96,418)	( 96,418)
Disposals	-	( 35,500)	-	( 50,530)	( 86,030)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 May 1995	387,718	2,993,085	242,183	161,249	3,784,235
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
1 June 1994	-	345,321	115,923	64,617	525,861
Charge for the year	-	315,789	26,296	38,211	380,296
Group transfers	-	-	-	( 33,562)	( 33,562)
Released on disposals	-	( 24,322)	-	( 32,615)	( 56,937)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 May 1995	-	636,788	142,219	36,651	815,658
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
31 May 1995	387,718	2,356,297	99,964	124,598	2,968,577
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 May 1994	215,000	866,985	53,282	142,726	1,277,993
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The freehold property, which is the subject of a programme of refurbishment and improvement, was independently valued on 18 April 1994 on the basis of open market value for existing use. The historical cost at the date of valuation was £108,990. Including subsequent additions, the cost at 31 May 1995 amounts to £281,708.

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

### 9. 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:

	1995 £	1994 £
Plant and machinery	271,484	735,691
Motor vehicles	99,249	122,363

### 10. INVESTMENTS

	1995 £	1994 £
Filtronic Comtek, Inc.	-	202,381

During the year the whole of the issued share capital in Filtronic Comtek, Inc. was transferred to the ultimate parent undertaking, Filtronic Comtek plc, for a consideration of £5,000,000. The profit on the transfer of £4,797,619 is included as an exceptional item in the profit and loss account for the year ended 31 May 1995.

### 11. STOCKS

	1995 £	1994 £
Raw materials	360,835	178,552
Work in progress	1,669,847	899,910
	2,030,682	1,078,462

In the opinion of the directors the cost of stocks at 31 May 1995 does not differ materially from their replacement cost.

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

12.	DEBTORS	1995 £	1994 £
	Trade debtors	2,266,890	1,297,934
	Amounts owed by parent and fellow subsidiary undertakings	3,489,150	26,582
	Amounts owed by subsidiary undertaking	-	216,753
	Corporation tax	54,378	-
	Other taxes	168,018	-
	Prepayments and accrued income	69,858	24,402
		<u>6,048,294</u>	<u>1,565,671</u>
13.	CREDITORS: Amounts falling due within one year	1995 £	1994 £
	Business development loan	16,667	16,667
	Term loan	-	6,809
	Hire purchase creditors	125,451	260,155
	Trade creditors	2,345,316	1,653,643
	Corporation tax	690,000	282,500
	Other taxes and social security costs	96,439	39,267
	Accruals and deferred income	508,593	160,719
		<u>3,782,466</u>	<u>2,419,760</u>
14.	CREDITORS: Amounts falling due in more than one year	1995 £	1994 £
	Business development loan	9,722	26,389
	Term loan	-	68,191
	Hire purchase creditors	187,296	510,593
		<u>197,018</u>	<u>605,173</u>

**Filtronic Comtek (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 31 May 1995

14.	CREDITORS ( <i>continued</i> )	1995	1994
		£	£
	Repayable by instalments		
	Business development loan:		
	between 2 and 5 years	9,722	26,389
	Term loan:		
	between 2 and 5 years	-	29,991
	over 5 years	-	38,200
	Hire purchase creditors:		
	between 2 and 5 years	187,296	510,593
		<hr/>	<hr/>
		197,018	605,173
		<hr/>	<hr/>

15.	DEFERRED TAXATION	<i>Full potential liability 1995 £</i>	<i>Full potential liability 1994 £</i>
	Capital allowances in excess of depreciation	187,000	72,000
	Attributable to the revaluation reserve	35,000	35,000
		<hr/>	<hr/>
		222,000	107,000
		<hr/>	<hr/>

No provision has been made for deferred taxation in respect of capital allowances in excess of depreciation as the directors are of the opinion that no liability will crystallise in the foreseeable future.

No provision has been made in respect of the potential chargeable gain which would arise on the disposal of freehold land and buildings at their revalued amount as the directors have no intention of making such a disposal in the foreseeable future.

16.	CALLED UP SHARE CAPITAL	1995	1994
		£	£
	Authorised		
	250,000 ordinary shares of £1 each	-	250,000
	16,288,369 ordinary shares of 12.2787p each	2,000,000	-
		<hr/>	<hr/>
	Allotted, called up and fully paid		
	170,000 ordinary shares of £1 each	-	170,000
	1,384,639 ordinary shares of 12.2787p each	170,015	-
		<hr/>	<hr/>

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

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### 16. CALLED UP SHARE CAPITAL *(continued)*

On 20 June 1994, the company's authorised share capital of 250,000 Ordinary £1 shares was increased to £2,000,000 Ordinary £1 shares. On the same date the nominal value of £1 per share was divided into shares of 12.2787p.

On 20 June 1994 the company established the Initial Share Option Scheme under which 342,375 unapproved options over ordinary shares of 12.2787p each in the company were granted to certain directors and employees. On 14 October 1994 Filtronic Comtek plc, the ultimate parent undertaking, entered into agreements under which that company is obliged to purchase and the shareholder is obliged to sell shares allotted upon exercise of the options granted under the Initial Scheme. The consideration is defined as the allocation of 20 ordinary shares of 10p each in Filtronic Comtek plc for each ordinary share of 12.2787p in Filtronic Comtek (UK) Limited.

The rules of the Initial Scheme provide that, in each of the seven Option Exercise Periods between 1 October 1994 and 31 May 2001, an option holder may exercise options in respect of that number of shares which is equal to one seventh of the total number of shares which are the subject of the option or 350 whichever is the greater. The Option Exercise Periods are 1 October 1994 to 30 September 1995, 1 October 1995 to 30 September 1996 and so on with the seventh and final period being 1 October 2001 to 31 May 2001. The rules also provide that if any option holder exercises options in any of the first three Option Exercise Periods, the resultant shares in the company cannot be sold until the beginning of the next Option Exercise Period.

Since 20 June 1994 125 Ordinary 12.2787p shares have been issued due to a share option being exercised at an option price of £6 per Ordinary share.

17.	SHARE PREMIUM ACCOUNT	1995 £
	Balance at 1 June 1994	-
	Premium on shares issued during the year	735
		<hr/>
	Balance at 31 May 1995	735
		<hr/> <hr/>

### 18. REVALUATION RESERVE

The revaluation reserve of £106,010 (1994 - £106,010) arises from the revaluation of freehold property, details of which are given in note 9.

**Filtronic Comtek (UK) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**for the year ended 31 May 1995**

19.	PROFIT AND LOSS ACCOUNT	1995	
		£	
	1 June 1994		936,358
	Retained profit for the year		6,487,614
			<hr/>
	Balance at 31 May 1995		7,423,972
			<hr/> <hr/>

20.	RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS	1995	1994
		£	£
	Profit for the financial year	6,487,614	627,257
	Other recognised gains and losses relating to the year	-	106,010
	Shares issued	750	-
		<hr/>	<hr/>
	Net addition to shareholders' funds	6,488,364	733,267
	Opening shareholders' funds	1,212,368	479,101
		<hr/>	<hr/>
	Closing shareholders' funds	7,700,732	1,212,368
		<hr/> <hr/>	<hr/> <hr/>

21.	CAPITAL COMMITMENTS	1995	1994
		£	£
	Capital expenditure contracted for but not provided in the financial statements	125,000	-
		<hr/> <hr/>	<hr/> <hr/>
	Capital expenditure authorised but not contracted for	327,000	386,000
		<hr/> <hr/>	<hr/> <hr/>

22. CONTINGENT LIABILITIES

The company has given guarantees in respect of certain bank borrowings of other group companies. There were no contingent liabilities at 31 May 1995 in respect of these guarantees.

# Filtronic Comtek (UK) Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 May 1995

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### 23. PENSION COMMITMENTS

The company participates in a funded group defined benefits pension scheme which is operated for the employees of Filtronic Comtek plc and its UK subsidiaries. The Scheme provides benefits based on final pensionable pay. The assets of the Scheme are held separately from those of the company and the group. The contributions are advised upon by a qualified actuary on the basis of triennial valuations. The most recent valuation was at 1 September 1994 and the details of this actuarial valuation are disclosed in the financial statements of Filtronic Comtek plc.

Prior to 1 September 1994, the company contributed to the Filtronic Limited Retirement and Death Benefits Scheme.

### 24. OPERATING LEASES

Annual commitments under non-cancellable leases were as follows:

	<i>Freehold land and Building</i>		<i>Other</i>	
	1995	1994	1995	1994
	£	£	£	£
Operating leases which expire:				
Between 2 and 5 years	63,473	45,000	35,869	6,222

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### 25. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Filtronic Comtek plc, a company registered in England and Wales.

Copies of the financial statements of Filtronic Comtek plc can be obtained from Filtronic Comtek plc, Acorn Park, Charlestown, Shipley, West Yorkshire, BD17 7SW.

On 30 June 1994, as part of a group reorganisation, the company's then ultimate parent undertaking Filtronic Limited, was placed into members' voluntary liquidation. On the same date, the liquidator distributed the whole of the share capital of the company to a newly formed company, YPCS 28 plc which has subsequently changed its name to Filtronic Comtek plc.

### 26. TRANSACTIONS INVOLVING DIRECTORS

The company leases three leasehold properties as sub-lessee from Filtronic Limited, a company which is controlled by Professor J D Rhodes. These leases are on an arms length basis and the terms are governed by the terms of the head leases between Filtronic Limited and the Royal London Mutual Insurance Society Limited. The sub-leases expire on 30 June 1996. The lease costs are £14,995 per annum for each lease. Other transactions involving the purchase of materials from Filtronic Components Limited, a wholly owned subsidiary of Filtronic Limited, occurred in the ordinary course of business during the year.