

**Filtronic (Overseas Holdings) Limited**

**Directors' report and financial  
statements**

Registered number 3042647

31 May 2003



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## **Company information**

### **Directors**

Professor JD Rhodes CBE FRS FREng – Chairman  
AR Needle  
J Samuel FCA  
MP Harrison

### **Secretary**

CE Schofield

### **Auditors**

KPMG Audit Plc  
Chartered Accountants  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

### **Registered Office**

The Waterfront  
Salts Mill Road  
Saltaire  
Shipley  
BD18 3TT

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 May 2003.

### Principal activities and review of the business

The company's principal activity is as a holding company for the overseas subsidiaries of Filtronic plc.

### Results and dividends

The results for 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 recommend a dividend amounting to £20,000,000 (2002: £21,000,000).

### Directors and directors' interests

The directors of the company during the year were those listed on page 1.

None of the directors had any interest in the shares of the company during the year.

The interests of Professor JD Rhodes, AR Needle and J Samuel in the share capital of the ultimate parent undertaking, Filtronic plc, are given in that company's financial statements.

The following director had interests in the ordinary shares of 10p each in the ultimate parent undertaking, Filtronic plc:

	Ordinary shares of 10p each	
	31 May 2003	31 May 2002
MP Harrison	30,121	30,121

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

	Exercise period	Exercise price	31 May 2002 Number	Exercised during the year Number	31 May 2003 Number
<b>Save As You Earn Option Scheme</b>					
MP Harrison	01.04.2004-01.10.2004	680p	992	-	992
	01.10.2004-01.04.2005	655p	1,030	-	1,030
<b>Executive Share Option Scheme</b>					
MP Harrison	01.10.1999-03.08.2008	414p	25,000	-	25,000

**Directors' report** *(continued)*

**Auditors**

During the year Ernst & Young LLP resigned as auditors and the directors appointed KPMG Audit Plc in their place. A resolution to reappoint KPMG Audit Plc as auditors will be put to the members at the Annual General Meeting.

By order of the board

*C. Schofield*

**CE Schofield**  
*Secretary*

25 July 2003

## Statement of directors' responsibilities

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 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;
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

1 The Embankment  
Neville Street  
Leeds  
LS1 4DW  
United Kingdom

### **Report of the independent auditors to the members of Filtronic (Overseas Holdings) Limited**

We have audited the financial statements on pages 6 to 11.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 May 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Audit Plc*

KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

25 July 2003

**Profit and loss account**  
*for the year ended 31 May 2003*

	Note	2003 £	2002 £
Dividends receivable		17,774,493	6,091,811
Interest receivable from group companies		1,524,404	6,026,529
Currency exchange gains on loans		1,051,125	1,568,435
<b>Profit on ordinary activities before taxation</b>		<b>20,350,022</b>	<b>13,686,775</b>
Taxation	2	30,963	122,957
<b>Profit for the financial year</b>		<b>20,319,059</b>	<b>13,563,818</b>
Dividends	3	20,000,000	21,000,000
<b>Retained profit/(deficit) for the year</b>		<b>319,059</b>	<b>(7,436,182)</b>

**Statement of total recognised gains and losses**  
*for the year ended 31 May 2003*

	2003 £	2002 £
Profit for the financial year	20,319,059	13,563,818
Currency exchange movement on investments	(7,308,201)	(2,049,435)
Currency exchange movement on loans	7,308,201	2,049,435
<b>Total recognised gains relating to the year</b>	<b>20,391,059</b>	<b>13,563,818</b>



**Balance sheet**  
*at 31 May 2003*

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Fixed assets</b>			
Investments	4	126,790,609	133,470,393
<b>Current assets</b>			
Debtors	5	27,205,028	37,260,924
<b>Creditors: amounts falling due within one year</b>	6	130,610,674	147,665,413
<b>Net current liabilities</b>		<b>(103,405,646)</b>	<b>(110,404,489)</b>
<b>Net assets</b>		<b>23,384,963</b>	<b>23,065,904</b>
<b>Capital and reserves</b>			
Called up share capital	7	22,834,510	22,834,510
Share premium account	8	138,107	138,107
Profit and loss account	8	412,346	93,287
<b>Equity shareholders' funds</b>		<b>23,384,963</b>	<b>23,065,904</b>

These financial statements were approved by the board of directors on 25 July 2003 and were signed on its behalf by:



**Professor JD Rhodes CBE FRS FREng**  
*Director*

## Notes

(forming part of the financial statements)

### 1 Accounting policies

#### *Basis of preparation*

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

#### *Cash flow statement*

The company has taken advantage of the exemption allowed by FRS1 (revised) for wholly owned subsidiary undertakings and has not prepared a statement of cash flows.

#### *Consolidated financial statements*

The company has taken advantage of Section 228 of the Companies Act 1985 not to prepare consolidated financial statements.

#### *Investments*

Investments are included at cost, less any provision for diminution in value.

#### *Foreign currencies*

Where the company has used foreign currency borrowings to provide a hedge against its foreign equity investments the exchange differences arising on both the borrowings and the investment are taken to reserves in accordance with SSAP20.

Foreign exchange differences on other borrowings are taken to the profit and loss account.

### 2 Taxation

	2003 £	2002 £
UK corporation tax on profits for the period	6,650,735	2,636,383
Double taxation relief	(6,619,772)	(2,513,426)
Total current taxation	30,963	122,957

#### *Factors affecting the tax charge for the period*

The current tax charged for the period is lower than the standard rate of corporation tax in the UK. The difference is analysed below:

	2003 £	2002 £
Profit on ordinary activities before taxation	20,350,022	13,686,775
Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2002: 30%)	6,105,007	4,106,033
Effects of:		
Double tax relief	(6,619,772)	(2,513,426)
Group relief	545,728	(1,469,650)
Current tax charge for the period	30,963	122,957

## Notes (continued)

### 2 Taxation (continued)

#### Factors affecting the future tax charge

It is expected that there will be no significant current tax charge in the foreseeable future because of the availability of group relief.

### 3 Dividends

	2003 £	2002 £
Final dividend of 87.586727p (2002: 91.966064p) per ordinary share	20,000,000	21,000,000

### 4 Investments

	Subsidiaries £
Shares at cost:	
At 1 June 2002	133,470,393
Additions	628,417
Currency exchange movement	(7,308,201)
At 31 May 2003	126,790,609

#### Subsidiaries

Name of company	Country of incorporation or registration	Holdings	Proportion held	Activity
Filtronic Pty Limited	Australia	A\$1 ordinary shares	100%	Design and manufacture of microwave products
Filtronic LK Oy	Finland	€3,364 ordinary shares	100%	Design and manufacture of microwave products
Filtronic (Suzhou) Telecommunication Products Co Limited	China	£1 ordinary shares	100%	Manufacture of microwave products
Filtronic (Japan) KK	Japan	Y50,000 ordinary shares	100%	Representative office
Filtronic Holdings, Inc.	USA	\$1 common stock	100%	Holding company

The shares of the following companies are held by Filtronic Holdings Inc or its subsidiaries

Filtronic Comtek, Inc.	USA	\$1 common stock	100%	Design and manufacture of microwave products
Filtronic Comtek (Barbados), Limited	Barbados	BD\$1 ordinary shares	100%	USA foreign sales corporation
Solid State – Filtronic, Inc.	USA	\$1 common stock	100%	Design and manufacture of microwave products

## Notes (continued)

### 4 Investments (continued)

#### Subsidiaries

<i>Name of company</i>	<i>Country of incorporation or registration</i>	<i>Holdings</i>	<i>Proportion held</i>	<i>Activity</i>
Filtronic Sigtek, Inc.	USA	\$1 common stock	10%	Design and manufacture of digital signal processing products
Sage Laboratories, Inc.	USA	\$0.10 common stock	100%	Design and manufacture of microwave products
Sage Laboratories Active Microwave, Inc.	USA	\$1 common stock	100%	Design and manufacture of microwave products
Sage Laboratories Investment Corporation	USA	\$1 common stock	100%	Investment company

### 5 Debtors

	2003 £	2002 £
Amounts due from group companies	27,205,028	37,260,924

### 6 Creditors: amounts falling due within one year

	2003 £	2002 £
Amounts due to group companies	130,610,674	147,665,413

### 7 Share capital

	Authorised 2003 £	2002 £	Allotted, called up and fully paid 2003 £	2002 £
Ordinary shares of £1 each	25,000,000	25,000,000	22,834,510	22,834,510

## Notes (continued)

### 8 Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Share premium account £	Profit and loss account £	Total shareholders' funds £
At 31 May 2001	22,834,510	138,107	7,529,469	30,502,086
Profit for the financial year	-	-	13,563,818	13,563,818
Dividends	-	-	(21,000,000)	(21,000,000)
Currency exchange movement on investments	-	-	(2,049,435)	(2,049,435)
Currency exchange movement on loans	-	-	2,049,435	2,049,435
At 31 May 2002	22,834,510	138,107	93,287	23,065,904
Profit for the financial year	-	-	20,319,059	20,319,059
Dividends	-	-	(20,000,000)	(20,000,000)
Currency exchange movement on investments	-	-	(7,308,021)	(7,308,021)
Currency exchange movement on loans	-	-	7,308,021	7,308,021
At 31 May 2003	22,834,510	138,107	412,346	23,384,963

### 9 Contingent liabilities

The company has given guarantees in respect of certain loans and bank borrowings of other group companies. There were contingent liabilities of £63,215,942 at 31 May 2003 (2002: £96,139,275) in respect of these guarantees.

### 10 Ultimate parent undertaking

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

Copies of the financial statements of Filtronic plc, which include the company, can be obtained from Filtronic plc, The Waterfront, Salts Mill Road, Saltaire, Shipley, BD18 3TT.

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are part of the Filtronic plc group or investees of the group.