

Senstronics Limited
Annual report
for the year ended 31 December 2002

Registered Number 3504198



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Senstronics Limited

Annual report

for the year ended 31 December 2002

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Senstronics Limited

Directors and Advisors for the year ended 31 December 2002

Directors

S B Turner

I M Kelly

M P Drain

G R Mockett

Secretary and registered office

M P Drain

Athelney Way

Battledown Industrial Estate

Cheltenham

Gloucestershire

GL52 6RT

Registered Auditors

PricewaterhouseCoopers LLP

89 Sandyford Road

Newcastle upon Tyne

NE99 1PL

Solicitors

Bretherton Price Elgoods

St James House

St James Square

Cheltenham

Gloucestershire

GL50 3PR

Bankers

HSBC

49 Corn Street

Bristol

BS99 7PP

Senstronics Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements of the company for the year ended 31 December 2002.

Principal activities

The company is principally engaged in the design, manufacture and distribution of high pressure sensors.

Review of business and future developments

The company's retained loss for the financial year is £2,493,479 (2001: £2,088,605). The directors do not recommend the payment of a dividend. The ongoing losses are in line with the directors' expectations given the development phase of the company.

During the year the company continued to receive financial support from its parent company, Ultronics Group Limited. The accounts have been prepared on a going concern basis on the assumption that financial support will be received for the foreseeable future. Details surrounding the continuation of support by the parent company are described in note 1.

During the year the company has secured a number of production orders with customers both in the UK and Overseas. During the period the company committed itself to significant development in both its high technology production process and a new transducer technology. This new transducer technology, which will be marketed as Storm and will be launched in the second quarter of 2003, sets new standards in both stability and functionality.

Subsequent to the year end Senstronics has signed an agreement to grant China Spacesat Co Limited (a subsidiary of China Aerospace) exclusive rights for the distribution of Senstronics Products within the Peoples Republic of China. China Spacesat has forecast to take 620,000 pieces during 2003. To secure this deal China Spacesat have agreed to place an advance order deposits of \$2.1m. As of the date of these accounts \$1.2m has been received.

Directors and their interest

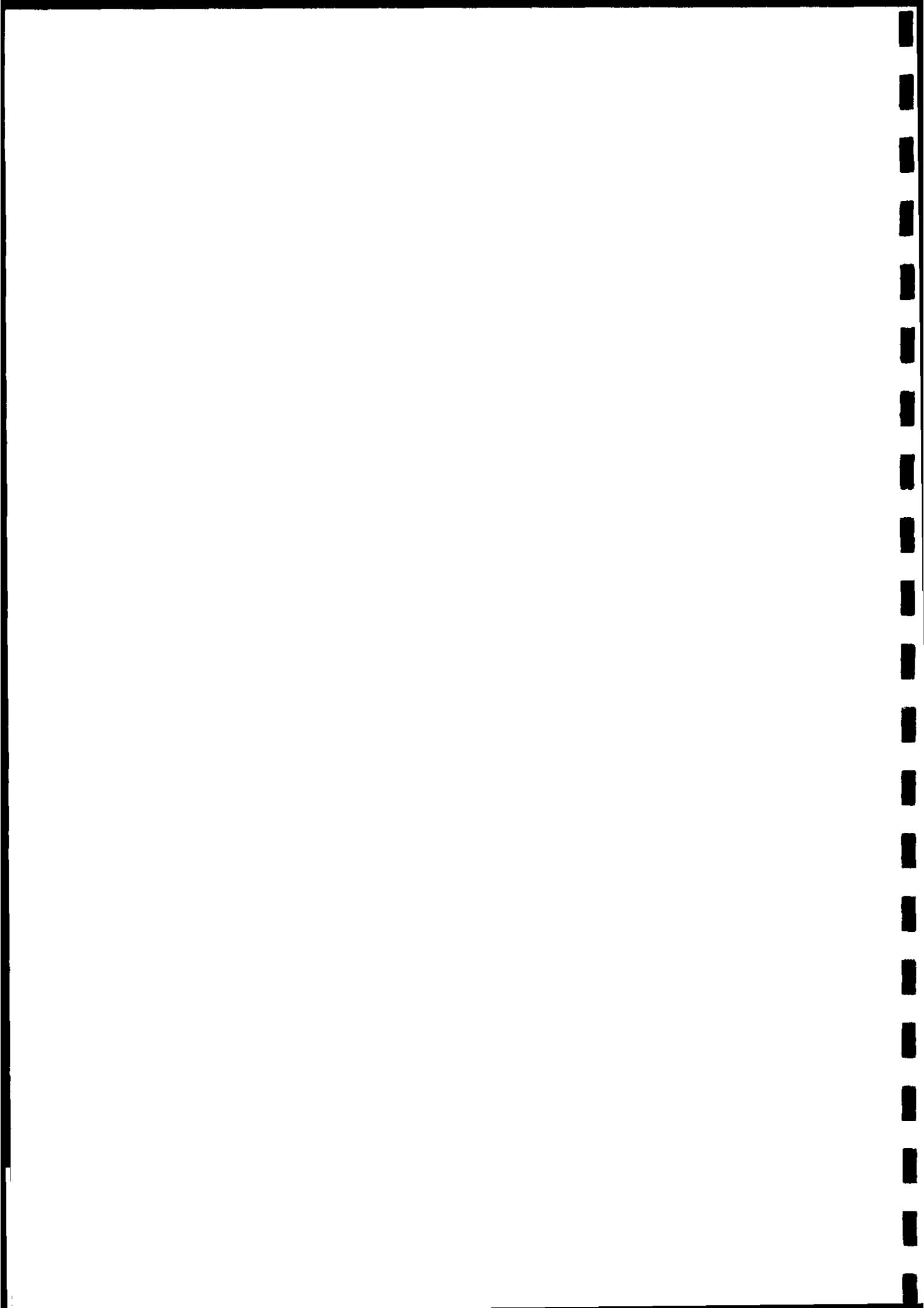
The present membership of the Board is set out below. None of the directors had any interests in the share capital of the company during the period.

The interests of Mr S B Turner, who is also a director of the ultimate parent company, Ultronics Group Limited, are shown in the annual report of that company.

S B Turner
I M Kelly
M P Drain
G R Mockett

Research and development

During the year the company continued its development of high pressure sensors. The associated costs amounted to £358,631 (2001: £311,443) and have been charged to the profit and loss account.



Senstronics Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on a going concern basis unless it is inappropriate to presume the company will continue in business.

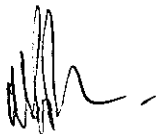
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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.

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 14 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the next annual general meeting.

By order of the Board



M P Drain
Secretary

4 April 2003

Senstronics Limited

Independent auditors' report to the members of Senstronics Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and 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 issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

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.

Senstronics Limited

Fundamental uncertainty

In forming our opinion we have considered the adequacy of the disclosures made in the financial statements concerning the basis of preparation. The financial statements have been prepared on a going concern basis and the validity of this depends on the continued financial support of the company's ultimate holding company by providing adequate funding facilities for the foreseeable future. The ultimate holding company currently receives funding from a shareholder which is dependent on the achievement of financial forecasts set by the group. The financial statements do not include any adjustments that would result from a failure of the ultimate holding company to provide continued support. Details of the circumstances relating to this fundamental uncertainty are described in Note 1. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Newcastle upon Tyne

4 April 2003

Senstronics Limited

Profit and loss account for the year ended 31 December 2002

	Note	2002 £	2001 £
Turnover		575,829	81,573
Cost of sales		(621,807)	(494,122)
Gross loss		(45,978)	(412,549)
Distribution costs		(44,565)	(35,777)
Administrative expenses		(2,730,647)	(2,473,677)
Other operating income	3	200,000	760,000
Operating loss	3	(2,621,190)	(2,162,003)
Interest payable and similar charges	6	(67,474)	(55,901)
Loss on ordinary activities before taxation		(2,688,664)	(2,217,904)
Taxation on loss on ordinary activities	7	195,185	129,299
Loss for the financial year	15	(2,493,479)	(2,088,605)

All activities relate entirely to continuing operations.

The company has no recognised gains or losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

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

Senstronics Limited

Balance sheet as at 31 December 2002

	Note	2002 £	2001 £
Fixed assets			
Tangible assets	8	2,120,782	2,331,733
Current assets			
Stock	9	306,362	116,355
Debtors	10	236,075	165,116
Cash at bank and in hand		43	195
		542,480	281,666
Creditors: amounts falling due within one year	11	(1,762,441)	(2,101,051)
Net current liabilities		(1,219,961)	(1,819,385)
Total assets less current liabilities		900,821	512,348
Creditors : amounts falling due after more than one year	12	8,314,699	5,432,747
Capital and reserves			
Called up equity share capital	14	2	2
Profit and loss account	15	(7,413,880)	(4,920,401)
Total equity shareholders' deficit	16	(7,413,878)	(4,920,399)
		900,821	512,348

The financial statements on pages 6 to 17 were approved by the board of directors on 4 April 2003 and were signed on its behalf by:

M P Drain
Director



SB Turner
Director



Senstronics Limited

Statement of accounting policies

The financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

Turnover

Turnover represents the value of sales of high pressure sensors to third parties, net of trade discounts and value added tax. Turnover is recognised when the sensors are despatched to third parties.

Research and development

Expenditure incurred on research and development is charged to the profit and loss account as incurred.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at acquisition cost. Depreciation is charged to the profit and loss account so as to write off the cost of tangible fixed assets to their estimated residual value over their estimated useful economic lives using the straight line method.

The principal estimated useful economic lives are as follows:

Plant and machinery	3 to 8 years
Fixtures, fittings and office equipment	3 years

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises the purchase cost of raw materials consumed plus all directly related conversion costs.

Leases

Assets held under hire purchase or finance lease contracts are capitalised and included in tangible fixed assets at their fair value. Each asset is depreciated over the shorter of the contract term or its estimated useful life. Obligations relating to such contracts net of finance charges in respect of future periods are included as appropriate under creditors. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals under operating leases are charged to the profit and loss account on a straight line basis over the life of the lease.

Foreign currencies

Monetary assets and liabilities held at the balance sheet date and denominated in foreign currency are translated at the rate of exchange prevailing at that date. Foreign currency transactions entered into during the year are translated at the rate of exchange prevailing at the date of the transaction. Exchange differences arising on these transactions are accounted for through the profit and loss account.

Deferred taxation

Following the adoption of FRS19, deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less tax in the future have occurred at the balance sheet date. The change in policy has not had a financial effect on the prior years numbers and there is, therefore, no need for a prior year adjustment. Deferred tax assets are recognised only to the extent that they are considered recoverable in the future.

Pensions

The company operates an independently administered money purchase (defined contribution) pension scheme for all of its employees. Pension costs are recognised in the profit and loss account as they fall due.

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Government grants

Grant income is deferred and credited to the profit and loss account over the period of the project to which the grant relates.

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Notes to the financial statements for the year ended 31 December 2002

1 Basis of preparing the financial statements - going concern

During the year the company incurred a loss of £2,493,479 and at the balance sheet date its liabilities exceeded its assets by £7,413,878. The company meets its day to day funding requirements through financial support provided by the company's ultimate holding company, Ultronics Group Limited.

The company relies on its ultimate holding company for financial support which has been provided by intercompany indebtedness amounting to £5,965,516 at the balance sheet date, all of which is due after more than one year.

The financial statements have been prepared on a going concern basis which assumes that the company will *continue in operational existence for the foreseeable future.*

The validity of this assumption depends on the ultimate holding company providing financial support. At the time of finalising these financial statements the ultimate holding company has received confirmation from APAX, a shareholder of the ultimate holding company, that the funding requirements will continue to be provided on condition that its subsidiary undertakings continue to launch their products into the market place and develop their market position in accordance with its business plan and financial forecasts. Trading performance for the first quarter of 2003 is in line with forecast. The directors are confident that the trading performance of the subsidiary undertakings will continue to meet their targets and that financial support will continue to be provided by APAX.

If the company were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

Whilst the directors accept there is uncertainty in relation to the above mentioned matters, they believe that it is appropriate for the financial statements to be prepared on a going concern basis.

2 Cash flow statement

The company is a small company as defined by Section 246 of the United Kingdom Companies Act 1985. Consequently, the company has taken advantage of the exemption allowed by Financial Reporting Standard 1 (revised 1996) and not prepared a cash flow statement.

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3 Operating loss

Operating loss is stated after charging/(crediting):

	2002 £	2001 £
Wages and salaries	943,519	848,529
Social security costs	76,223	76,881
Other pension costs	58,316	55,436
Operating lease charges :		
- land and buildings	95,000	55,000
- other	20,937	26,520
Depreciation charge for the year:		
- tangible owned fixed assets	531,610	421,299
- tangible fixed assets held under finance lease	244,760	254,378
Research and development	358,631	311,443
Auditors' remuneration for audit services	7,000	3,000
Grant income	(200,000)	(760,000)

4 Directors' emoluments

	2002 £	2001 £
Aggregate emoluments	64,044	60,199
Pension contributions to money purchase schemes	4,260	2,982
	68,304	63,181

During the year 1 (2001: 2) directors participated in money purchase schemes.

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5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was as follows:

	2002	2001
	£	£
Finance and administration	8	6
Operations	43	34
	51	40

6 Interest payable and similar charges

	2002	2001
	£	£
Interest payable on bank overdrafts	12,948	2,139
Finance leases	54,526	53,762
	67,474	55,901

7 Taxation on loss on ordinary activities

(a) Analysis of credit in the year

	2002	2001
Current tax		
Adjustment in respect of prior periods	195,185	129,299

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(b) Factors affecting tax charge for period

	2002 £	2001 £
Loss on ordinary activities before tax	(2,688,664)	(2,217,904)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(806,599)	(665,371)
<i>Effect of:</i>		
Expenses not deductible for tax purposes	242,003	1,893
Capital allowances for period in excess of depreciation	54,502	26,391
Tax losses carried forward	510,094	637,087
Adjustments to tax charge in respect of previous periods	(195,185)	(129,299)
Current tax charge for period (Note 1(a))	(195,185)	(129,299)

(c) Factors that may affect future charges

Future taxation charges are expected to be impacted by the utilisation of tax losses carried forward.

The company has an unprovided deferred tax asset amounting to £1,732,000 (2001: £1,349,000) arising primarily from unrelieved taxation losses. The asset has not been recognised in the financial statements due to uncertainty over, its recovery in the future.

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8 Tangible assets

	Plant and machinery £	Fixtures, fittings and office equipment £	Total £
Cost			
At 1 January 2002	3,462,787	136,420	3,599,207
Additions	526,899	38,518	565,417
At 31 December 2002	3,989,686	174,938	4,164,624
Accumulated depreciation			
At 1 January 2002	1,209,583	57,913	1,267,496
Charge for the year	726,767	49,603	776,370
At 31 December 2002	1,936,350	107,516	2,043,866
Net book amount			
At 31 December 2002	2,053,336	67,422	2,120,758
At 31 December 2001	2,253,204	78,507	2,331,711

Assets held under finance leases and capitalised in plant and machinery:

	2002 £	2001 £
Cost	1,223,798	1,223,798
Accumulated depreciation	(639,256)	(394,496)
Net book amount	584,542	829,302

9 Stock

	2002 £	2001 £
Raw materials and consumables	306,362	116,355

Senstronics Limited

10 Debtors

	2002	2001
	£	£
Trade debtors	68,274	25,860
Other debtors	70,123	37,642
Prepayments and accrued income	97,678	101,614
	236,075	165,116

11 Creditors – Amounts falling due within one year

	2002	2001
	£	£
Bank overdrafts	66,802	54,546
Trade creditors	983,646	506,017
Amounts due to group undertakings	-	639,516
Finance leases (note 13)	245,694	322,709
Taxation and social security	139,346	30,473
Accruals and deferred income	326,953	547,790
	1,762,441	2,101,051

Interest is payable upon the bank overdraft at LIBOR and the balance is payable upon demand.

12 Creditors – Amounts falling due after more than one year

	2002	2001
	£	£
Amounts due to group undertakings	8,054,846	5,000,000
Finance leases (note 13)	259,853	432,747
	8,314,699	5,432,747

No interest is charged upon the loan from the parent undertaking.

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13 Borrowings

Finance leases

Future minimum payments under finance leases are as follows:

	2002	2001
	£	£
In one year or less	245,694	322,709
In more than one, but not more than five years	259,853	432,747
	505,479	755,456

14 Called up equity share capital

	2002	2001
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

15 Reserves

	Profit and loss account
	£
At 1 January 2002	(4,920,401)
Loss for the financial year	(2,493,479)
At 31 December 2002	(7,413,880)

Senstronics Limited

16 Reconciliation of movement in equity shareholders' deficit

	2002	2001
	£	£
Loss for the financial year	(2,493,479)	(2,088,605)
Equity shareholders' deficit as at 1 January	(4,920,399)	(2,831,794)
Equity shareholders' deficit as at 31 December	(7,413,878)	(4,920,399)

17 Contingent liabilities

The grant assistance received by the company from the Department of Trade and Industry may become repayable in full at any time up to the date of the final payment if the company fails to satisfy any of the terms specified in the offer letter. The maximum amount repayable is £1,680,000. In addition, grants received may become repayable over the three years commencing during 2005 if the company achieves specific levels of turnover in future years.

A legal charge exists over the assets of the company which have been provided as security against loan notes issued by the parent company. The total loan notes outstanding at 31 December 2002 was £20,435,363.

18 Pensions

The company contributes to an individual money purchase pension scheme for the benefit of the employees and directors. The assets of the scheme are in funds independent from those of the company.

19 Capital commitments

Capital commitments contracted for but not provided for in these financial statements totalled £Nil (2001: £Nil).

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20 Financial commitments

At 31 December 2002 the company had annual commitments under operating lease arrangements expiring as follows:

	2002			2001		
	Land and buildings	Other	Total	Land and buildings	Other	Total
	£	£	£	£	£	£
Within one year	-	2,079	2,079	-	6,969	6,969
Within two to five years	95,000	7,356	102,356	-	9,480	9,480
In five years or more	-	-	-	45,000	-	45,000
	95,000	9,435	104,435	45,000	16,449	61,449

21 Related party transactions

During the year, the company's working capital requirements were provided by Ultronics Group Limited and by Ultronics Limited (a wholly owned subsidiary of Ultronics Group Limited). The balance outstanding at 31 December 2002 was £5,965,516 (2001: £5,639,516) with Ultronics Group Limited. The balance outstanding at 31 December 2002 was £2,089,330 (2001: £Nil) with Ultronics Limited.

22 Ultimate parent undertaking

The company's ultimate holding company is Ultronics Group Limited, and its ultimate controlling party is Mr S B Turner, by virtue of his ownership of 60% of the issued share capital in that company. Mr S B Turner has personally granted options to APAX to purchase 155,425 of his own holding of ordinary £1 B shares. If these options are exercised by APAX, then they would become the ultimate controlling party. Ultronics Group Limited is exempt from preparing group consolidated financial statements by virtue of the group qualifying as a small group under Section 246 of the Companies Act 1985. Copies of Ultronics Group Limited financial statements can be obtained from the Company Secretary at Ultronics House, Athelney Way, Battledown Industrial Estate, Cheltenham, Gloucestershire, GL52 6RT.