

1059718

E2V HOLDINGS LIMITED
(FORMERLY REDWOOD 2002 LIMITED)

Report and Financial statements
31 March 2003



e2v

e2v technologies

E2V Holdings Limited

Registered No: 4439718

DIRECTORS

K Attwood
M Hannant
M Hassall
I Slaughter
J Davison (appointed 7 April 2003)
I Godden (appointed 1 June 2003)

SECRETARY

M Hannant

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

SOLICITORS

MacFarlanes
10 Norwich Street
London
EC4A 1BD

REGISTERED OFFICE

106 Waterhouse Lane
Chelmsford
Essex
CM1 2QU

E2V Holdings Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the period from incorporation on 15 May 2002 to 31 March 2003.

RESULTS AND DIVIDENDS

The group profit for the period was £2,005,000. The directors do not recommend the payment of a dividend.

PRINCIPAL ACTIVITY, REVIEW OF THE BUSINESS & FUTURE DEVELOPMENTS

The company was incorporated on 15 May 2002 under the name of Redwood 2002 Limited. On 12 July 2002 the company acquired from Marconi Plc the trading activities of businesses that had formerly traded as Marconi Applied Technologies in the UK and North America. On 14 August 2002 the company acquired the trading assets of Marconi Applied Technologies SAS to complete the acquisition of all the former Marconi Applied Technologies companies of Marconi Plc. These companies had previously collectively traded as EEV until 1999 when the name was changed to Marconi Applied Technologies. On 17 September 2002 the company changed its name to E2V Holdings Limited.

The groups' principal activity is a technology innovator and market leader in RF, microwave, imaging components, gas sensors and subsystems for the industrial, defence, automotive, medical, scientific and broadcast communications market sectors. The group has operations in the UK, USA, Germany and France as well as an established network of agents and distributors covering the Americas, Europe, Middle East and Africa, Far East and Australia.

Since formation of the group in July 2002, sales of £70,775,000 have been generated in the 37 weeks to 31st March 2003, which have realised an operating profit of £6,863,000. This has been achieved despite the strength of sterling in the period, which adversely impacted export sales and margins. In the period exports accounted for 72% of the group's sales and North America and Europe are the major markets for the business.

The group is ideally placed to exploit new products that have been developed in recent years and which are now achieving significant growth. Examples include Low Light Level CCD Imaging Devices, Dental CCD Imaging Devices, Components for Cruise Control Radar in the Automotive Sector and the next generation Argus Thermal Imaging Camera for firefighters.

Retained profits for the period amount to £2,005,000 which have been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period and their interests in the share capital of the company were as follows:

| | | At 31 March 2003 | | At incorporation or subsequent date of appointment | |
|-------------|--------------------------|--------------------------|------------------------|--|------------------------|
| | | <i>B Ordinary shares</i> | <i>Ordinary shares</i> | <i>B Ordinary shares</i> | <i>Ordinary shares</i> |
| M Hassall | (appointed 27 June 2002) | 68,182 | 13,637 | 68,182 | 13,637 |
| I Slaughter | (appointed 27 June 2002) | 68,182 | 13,637 | 68,182 | 13,637 |
| K Attwood | (appointed 11 July 2002) | 34,091 | 115,909 | 34,091 | 115,909 |
| M Hannant | (appointed 11 July 2002) | — | 40,909 | — | 40,909 |

DIRECTORS' REPORT

CREDITOR PAYMENT POLICY

The group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The group does not have a standard or code of conduct which deals specifically with the payment of suppliers.

The group's average creditor payment period at 31 March 2003 was 60 days.

AUDITORS

PricewaterhouseCoopers were appointed as the initial auditors of the group and acted in that capacity during the acquisition of the Marconi Applied Technologies activities from Marconi Plc. Following completion of the acquisition PricewaterhouseCoopers resigned as auditors and Ernst & Young LLP were appointed to fill the casual vacancy. A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the next annual general meeting.

On behalf of the Board



M Hannant
Finance Director

16 October 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF
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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF E2V HOLDINGS LIMITED

We have audited the group's financial statements for the period ended 31 March 2003 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of the accounting policies set out therein.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

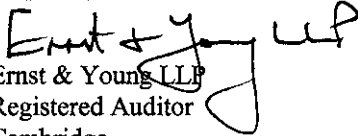
Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the company and of the group as at 31 March 2003 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Cambridge

20 October 2003

E2V Holdings Limited

GROUP PROFIT AND LOSS ACCOUNT for the period ended 31 March 2003

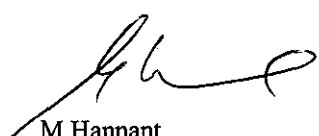
| | <i>Notes</i> | <i>Period ended 31 March 2003 £000</i> |
|--|--------------|---|
| TURNOVER | 2 | 70,775 |
| Cost of sales | | (52,792) |
| | | <hr/> |
| GROSS PROFIT | | 17,983 |
| Distribution costs | | (7,032) |
| Administrative expenses | | (4,088) |
| | | <hr/> |
| OPERATING PROFIT | 3 | 6,863 |
| Interest receivable | | 64 |
| Interest payable | 6 | (3,825) |
| | | <hr/> |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 3,102 |
| Tax on profit on ordinary activities | 7 | (1,097) |
| | | <hr/> |
| RETAINED PROFIT FOR THE FINANCIAL PERIOD | 18 | 2,005 |
| | | <hr/> <hr/> |

There are no recognised gains or losses other than the profit for the period of £2,005,000.

E2V Holdings Limited

GROUP BALANCE SHEET at 31 March 2003

| | <i>Notes</i> | <i>2003 £000</i> |
|--|--------------|----------------------|
| FIXED ASSETS | | |
| Intangible assets | 9 | 10,700 |
| Tangible assets | 10 | 18,762 |
| | | <u>29,462</u> |
| CURRENT ASSETS | | |
| Stock | 12 | 17,736 |
| Debtors | 13 | 24,359 |
| Cash at bank and in hand | | 6,798 |
| | | <u>48,893</u> |
| CREDITORS: amounts falling due within one year | 14 | (15,318) |
| NET CURRENT ASSETS | | <u>33,575</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 63,037 |
| CREDITORS: amounts due after more than one year | 15 | (54,682) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 16 | (3,802) |
| | | <u>4,553</u> |
| CAPITAL AND RESERVES | | |
| Called up share capital | 17 | 264 |
| Share premium account | 18 | 2,376 |
| Profit and loss account | 18 | 1,913 |
| EQUITY SHAREHOLDER'S FUNDS | 18 | <u>4,553</u> |



M Hannant
Finance Director

16 October 2003

E2V Holdings Limited

COMPANY BALANCE SHEET at 31 March 2003

| | <i>Notes</i> | <i>2003 £000</i> |
|--|--------------|----------------------|
| FIXED ASSETS | | |
| Investments | 11 | 54,422 |
| | | <hr/> |
| CURRENT ASSETS | | |
| Debtors | 13 | 104 |
| Cash at bank and in hand | | 50 |
| | | <hr/> |
| | | 154 |
| CREDITORS: amounts due within one year | 14 | (1,865) |
| | | <hr/> |
| NET CURRENT LIABILITIES | | (1,711) |
| | | <hr/> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 52,711 |
| CREDITORS: amounts due after more than one year | 15 | (54,682) |
| | | <hr/> |
| | | (1,971) |
| | | <hr/> <hr/> |
| CAPITAL AND RESERVES | | |
| Called up share capital | 17 | 264 |
| Share premium account | 18 | 2,376 |
| Profit and loss account | 18 | (4,611) |
| | | <hr/> |
| EQUITY SHAREHOLDERS' DEFICIT | 18 | (1,971) |
| | | <hr/> <hr/> |


M Hannant
Finance Director

16 October 2003

E2V Holdings Limited

GROUP STATEMENT OF CASH FLOWS

for the period ended 31 March 2003

| | | 2003 £000 |
|---|-------------|--------------|
| Net cash inflow from operating activities | Notes 23 | 10,058 |
| Returns on investments and servicing of finance | | |
| Interest paid | | (3,030) |
| Taxation | | |
| Corporation tax paid | | (202) |
| Overseas tax paid | | (836) |
| | | (1,038) |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible fixed assets | | (4,456) |
| Receipts from sales of tangible fixed assets | | 99 |
| | | (4,357) |
| Acquisitions and disposals | | |
| Purchase of subsidiary undertaking | | (51,866) |
| Net cash acquired with subsidiary undertaking | 11 | 2,459 |
| | | (49,407) |
| Net cash outflow before management of liquid resources and financing | | (47,774) |
| | | |
| | Notes | 2003 £000 |
| Net cash outflow before management of liquid resources and financing | | (47,774) |
| Financing | | |
| Issue of ordinary share capital | | 2,640 |
| New long-term loans | 23(b) | 52,011 |
| | | 54,651 |
| Increase in cash | 23(b) | 6,877 |
| RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT | | |
| | Notes | 2003 £000 |
| Increase in cash | | 6,877 |
| Cash inflow from increase in loans | | (52,011) |
| Change in net debt resulting from cash flows | 23(b) | (45,134) |
| Issue of loan note for non cash consideration | 23(b) | (2,671) |
| Exchange differences | | (79) |
| Movement in net debt | | (47,884) |
| Net debt at incorporation | 23(b) | — |
| Net debt at 31 March | 23(b) | (47,884) |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group financial statements consolidate the financial statements of E2V Holdings Limited and its subsidiary undertakings drawn up to 31 March. No profit and loss account is presented for E2V Holdings Limited as permitted by section 230 of the Companies Act 1985.

Depreciation

Freehold land is not depreciated and is held at historical cost. Depreciation is provided on all other tangible fixed assets at rates calculated to write off the original cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

| | | |
|---|---|----------------|
| Freehold buildings | - | up to 50 years |
| Plant & machinery | - | up to 10 years |
| Office equipment, fixtures and fittings | - | up to 10 years |

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a maximum of 20 years. It will be reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Intangible assets

Intangible assets acquired separately from a business are capitalised at cost. Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition, subject to the constraint that, unless the assets has a readily ascertainable market value, the fair value is limited to an amount that does not create or increase any negative goodwill arising on the acquisition. Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

1. ACCOUNTING POLICIES (continued)

Stock

Stock is stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

| | | |
|---|---|---|
| Raw materials, consumables and goods for resale | - | purchase cost on an average basis |
| Work in progress and finished goods | - | cost of direct materials and labour plus attributable overheads based on a normal level of activity |

Provisions

Provisions for the expected costs of maintenance and warranty claims are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the period end, by recording turnover and related costs (as defined in Stock above) as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the period in which they are first foreseen.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

NOTES TO THE FINANCIAL STATEMENTS
at 31 March 2003

1. ACCOUNTING POLICIES (continued)

Foreign currencies

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings, to the extent that they are used to finance or provide a hedge against foreign equity investments, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange rates. The group also uses interest rate swaps to adjust interest rate exposures.

The group considers its derivative instruments qualify for hedge accounting when certain criteria are met.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

- the instrument must be related to a firm foreign currency commitment;
- it must involve the same currency as the hedged item; and
- it must reduce the risk of foreign currency exchange movements on the group's operations.

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa

Interest differentials are recognised by accruing the net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain or loss is spread over the remaining maturity of the original instrument.

Pension scheme arrangements

The group contributes to group personal pension arrangements for its employees. The pension cost is the amount of contributions payable in the year (see note 20).

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties, except in respect of long-term contracts where turnover represents the sales value of work done in the year, including estimates in respect of amounts not invoiced. Turnover in respect of long-term contracts is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract.

Turnover is attributable to one continuing activity, the design manufacture and supply of electrical components and equipment.

An analysis of turnover by geographical market is given below:

| | <i>Period ended 31 March 2003 £000</i> |
|-------------------|--|
| United Kingdom | 19,464 |
| United States | 25,173 |
| Rest of the world | 26,138 |
| | <u>70,775</u> |

3. OPERATING PROFIT

| | <i>Period ended 31 March 2003 £000</i> |
|--|--|
| The operating profit is stated after charging: | |
| Depreciation of own fixed assets | 3,633 |
| Auditors' remuneration - audit services | 55 |
| - non-audit services | - |
| Operating lease rentals - land and buildings | 40 |
| Amortisation of patents and goodwill | 703 |
| | <u></u> |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

4. DIRECTORS' EMOLUMENTS

| | <i>Period ended 31 March 2003 £000</i> |
|--|--|
| Emoluments | 216 |
| Company contributions to defined contribution pension scheme | 13 |
| | <u>229</u> |

The Group has contracted for consultancy services with Horne Roberts, a company in which Messrs Hassall and Slaughter have an interest. Amounts paid under the agreement for the period amount to £284,988.

| | <i>No.</i> |
|--|------------|
| Members of money purchase pension scheme | 2 |

The amounts in respect of the highest paid director are as follows:

| | <i>Period ended 31 March 2003 £000</i> |
|--|--|
| Emoluments | 110 |
| Company contributions paid to money purchase pension schemes | <u>9</u> |

5. STAFF COSTS

| | <i>Period ended 31 March 2003 £000</i> |
|-----------------------------------|--|
| Wages and salaries | 24,393 |
| Social security costs | 2,578 |
| Other pension costs (see note 20) | 729 |
| | <u>27,700</u> |

The average monthly number of employees
(including executive directors) during the period was as follows:

| | <i>No.</i> |
|----------------|--------------|
| Manufacturing | 937 |
| Administration | 402 |
| | <u>1,339</u> |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

6. INTEREST PAYABLE

| | <i>Period ended 31 March 2003 £000</i> |
|---|--|
| Interest payable on overdrafts and bank loans | 2,298 |
| Interest payable on other loans | 1,243 |
| Other financial charges | 284 |
| | <hr/> 3,825 <hr/> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | <i>Period ended 31 March 2003 £000</i> |
|---------------------------------------|--|
| <i>(a) The tax charge represents:</i> | |
| UK corporation tax | 690 |
| Foreign tax | 508 |
| | <hr/> |
| Total current tax | 7(b) 1,198 |
| Deferred tax | (101) |
| | <hr/> 1,097 <hr/> |

(b) The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the United Kingdom ('UK'). The differences are explained below:

| | <i>Period ended 31 March 2003 £000</i> |
|---|--|
| Profit on ordinary activities before tax | 3,102 |
| | <hr/> |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% | 931 |
| Effect of: | |
| Disallowed expenses and non-taxable income | 167 |
| Research and development tax credit | (125) |
| Depreciation in excess of capital allowances | 119 |
| Higher taxes on overseas earning | 184 |
| Other timing differences | (78) |
| | <hr/> |
| Current tax charge for the period | 1,198 <hr/> |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(c) *Deferred Tax*

Deferred tax is provided at 30% in the financial statements as follows:

| | 2003 £'000 |
|---|---------------|
| Capital allowances in advance of depreciation | 379 |
| Short term timing differences | (17) |
| Provision for deferred tax (note 16) | <u>362</u> |

8. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company is £4,611,000.

9. INTANGIBLE FIXED ASSETS

| | <i>Patents</i> £000 | <i>Goodwill</i> £000 | <i>Total</i> £000 |
|--|------------------------|-------------------------|----------------------|
| Cost: | | | |
| At incorporation | — | — | — |
| Acquired with acquisition of subsidiary undertakings | 107 | 399 | 506 |
| Arising on acquisition of subsidiary undertakings | — | 10,897 | 10,897 |
| At 31 March 2003 | <u>107</u> | <u>11,296</u> | <u>11,403</u> |
| Amortisation: | | | |
| At incorporation | — | — | — |
| Provided during the period | 5 | 698 | 703 |
| At 31 March 2003 | <u>5</u> | <u>698</u> | <u>703</u> |
| Net book value: | | | |
| At 31 March 2003 | <u>102</u> | <u>10,598</u> | <u>10,700</u> |
| At incorporation | <u>—</u> | <u>—</u> | <u>—</u> |

Goodwill is being amortised as follows:

- Goodwill arising on the acquisition of E2V Technologies Limited is being amortised evenly over the directors estimate of its useful economic life of 12 years; and
- Goodwill arising on the acquisition of the High Power Satcom business from Siemens in 1999 is being amortised evenly over its estimated useful economic life of 20 years.

Patents are being amortised evenly over their useful economic life of 20 years.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

10. TANGIBLE FIXED ASSETS

| Group | <i>Freehold land & buildings £000</i> | <i>Plant & machinery £000</i> | <i>Office equipment, fixtures & fittings £000</i> | <i>Payment on account & assets under construction £000</i> | <i>Total £000</i> |
|---|---|---|---|--|-----------------------|
| Cost: | | | | | |
| At incorporation | – | – | – | – | – |
| Additions | – | 1,663 | 853 | 1,940 | 4,456 |
| Acquisition of subsidiary undertakings | 996 | 12,402 | 1,804 | 2,824 | 18,026 |
| Disposals | – | (520) | (343) | – | (863) |
| Reclassifications | 17 | 671 | (482) | – | 206 |
| Transfers | – | 2,039 | 83 | (2,122) | – |
| At 31 March 2003 | 1,013 | 16,255 | 1,915 | 2,642 | 21,825 |
| Depreciation: | | | | | |
| At incorporation | – | – | – | – | – |
| Provided during the period | (93) | (2,675) | (865) | – | (3,633) |
| Disposals | – | 433 | 343 | – | 776 |
| Reclassifications | (17) | (671) | 482 | – | (206) |
| At 31 March 2003 | (110) | (2,913) | (40) | – | (3,063) |
| Net book value: | | | | | |
| At 31 March 2003 | 903 | 13,342 | 1,875 | 2,642 | 18,762 |
| At incorporation | – | – | – | – | – |

The company does not have any tangible fixed assets.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

11. INVESTMENTS

| | | | <i>Company</i> |
|---|---------------------------------|-----------------------------------|----------------------------------|
| | | | <i>2003</i> |
| | | | <i>£000</i> |
| Loans to subsidiary undertakings | | | 6,500 |
| Equity interests in subsidiary undertakings | | | 47,922 |
| Fixed assets investments | | | 54,422 |
| <i>Interests in group undertakings</i> | | | |
| <i>Name of undertaking</i> | <i>Country of incorporation</i> | <i>Description of shares held</i> | <i>Percentage of shares held</i> |
| E2V Technologies Limited | England & Wales | Ordinary shares | 100% |
| E2V Technologies Inc. | USA | Common stock | 100% |
| E2V Technologies SAS | France | Ordinary shares | 100% |
| E2V Technologies Canada Limited | Canada | Ordinary shares | 100% |
| E2V Technologies GmbH | Germany | Ordinary shares | 100% |
| Redwood 2002 Inc | USA | Common Stock | 100% |
| EEV Limited | England & Wales | Ordinary shares | 100% |

The principal activities of the subsidiary companies are as follows:

E2V Technologies Limited – Electrical Component Manufacturer
 E2V Technologies Inc. – Sales & Distribution
 E2V Technologies SAS – Sales & Distribution
 E2V Technologies Canada Limited – Sales & Distribution
 E2V Technologies GmbH – Sales & Distribution
 Redwood 2002 Inc – Holding Company
 EEV Limited – Dormant

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

11. INVESTMENTS (continued)

On 12 July 2002 the company acquired Marconi Applied Technologies Limited and Marconi Applied Technologies Inc for a consideration of £51.9m. On 14 August 2002 the company acquired the assets and goodwill of Marconi Applied Technologies SAS together with assigned trade debts for a consideration of £2.5m.

Net assets at date of acquisition:

| | <i>Book value and Fair value to group £000</i> | | |
|---------------------------------------|--|---|----------------------------|
| Intangible fixed assets | | | 506 |
| Tangible fixed assets | | | 18,026 |
| Stocks | | | 21,946 |
| Debtors | | | 18,833 |
| Cash | | | 2,459 |
| Creditors due within one year | | | (14,978) |
| Provisions | | | (3,267) |
| Net assets | | | 43,525 |
| Goodwill arising on acquisition | | | 10,897 |
| | | | <u>54,422</u> |
| Discharged by: | | | |
| | <i>Consideration paid £000</i> | <i>Fair value adjustment £000</i> | <i>Fair value £000</i> |
| Loan Note | 7,000 | (4,444) | 2,556 |
| Cash | 50,012 | — | 50,012 |
| | <u>57,012</u> | <u>(4,444)</u> | <u>52,568</u> |
| Costs associated with the acquisition | | | 1,854 |
| | | | <u>54,422</u> |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

12. STOCK

| | <i>Group</i> <i>2003</i> <i>£000</i> |
|-------------------------------------|--|
| Raw materials and consumables | 5,601 |
| Work in progress | 6,654 |
| Finished goods and goods for resale | 5,481 |
| | <u>17,736</u> |

13. DEBTORS

| | <i>Group</i> <i>2003</i> <i>£</i> | <i>Company</i> <i>2003</i> <i>£</i> |
|--------------------------------|---|---|
| Trade debtors | 22,494 | - |
| Other debtors | 1,283 | 17 |
| Prepayments and accrued income | 430 | 87 |
| Corporation tax | 152 | - |
| | <u>24,359</u> | <u>104</u> |

14. CREDITORS: amounts falling due within one year

| | <i>Group</i> <i>2003</i> <i>£000</i> | <i>Company</i> <i>2003</i> <i>£000</i> |
|--|--|--|
| Payments received on account | 1,184 | - |
| Trade creditors | 4,800 | - |
| Amounts owed to group undertakings | - | 786 |
| Other taxation and social security costs | 760 | 17 |
| Other creditors | 426 | - |
| Accruals and deferred income | 8,148 | 1,062 |
| | <u>15,318</u> | <u>1,865</u> |

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

15 CREDITORS: amounts falling due after more than one year

| | <i>Group and company 2003 £000</i> |
|---|--|
| Loans | |
| Amounts falling due: | |
| In one year or less or on demand | 722 |
| In more than one year but not more than two years | 1,872 |
| In more than two years but not more than five years | 14,516 |
| In more than five years | 37,572 |
| | <u>54,682</u> |

Details of loans not wholly repayable within five years are as follows:

| | <i>2003 £000</i> |
|--|----------------------|
| Secured loan 2.25% over LIBOR | |
| Repayable 1 May 2008 | 3,800 |
| Repayable 1 November 2008 | 1,800 |
| Secured loan 2.75% over LIBOR | |
| Repayable 12 July 2009 | 5,000 |
| Secured loan 3.5% over LIBOR | |
| Repayable 12 January 2010 | 5,000 |
| 9% loan notes repayable in 6 monthly instalments from June 2010 to June 2012 | 19,964 |
| 6% unsecured loan notes with no fixed repayment date | 2,671 |
| | <u>38,235</u> |
| less: issue costs | (663) |
| | <u>37,572</u> |

16. PROVISIONS FOR LIABILITIES AND CHARGES

| | <i>Deferred taxation £000</i> | <i>Restructuring £000</i> | <i>Environmental £000</i> | <i>Product Warranty £000</i> | <i>Group Total £000</i> |
|-------------------------|---------------------------------------|-------------------------------|-------------------------------|--------------------------------------|---------------------------------|
| At incorporation | - | - | - | - | - |
| Arising during the year | 463 | 765 | 846 | 3,267 | 5,341 |
| Utilised | (101) | (644) | (40) | (754) | (1,539) |
| At 31 March 2003 | <u>362</u> | <u>121</u> | <u>806</u> | <u>2,513</u> | <u>3,802</u> |

In accordance with FRS19 provision has been made in full for deferred taxation.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2003

17. SHARE CAPITAL

| | 2003 No. | Authorised 2003 £000 |
|------------------------------|-------------|----------------------------|
| Ordinary shares of 10p each | 409,091 | 41 |
| A Ordinary shares of 1p each | 2,045,455 | 20 |
| B Ordinary shares of £1 each | 272,727 | 273 |
| | | <hr/> 334 <hr/> |

| | 2003 No. | Allotted, called up and fully paid 2003 £000 |
|------------------------------|-------------|--|
| Ordinary shares of 10p each | 388,636 | 39 |
| A Ordinary shares of 1p each | 2,045,455 | 20 |
| B Ordinary shares of £1 each | 204,546 | 205 |
| | | <hr/> 264 <hr/> |

The company was incorporated on 15 May 2002 with an authorised and allotted share capital comprising 1 Ordinary share of 10p.

On 11 July 2002 the authorised share capital was increased by £334,091 by the creation of 2,045,455 A Ordinary of 1p each, 272,727 B ordinary shares of £1 each and a further 409,090 Ordinary shares of 10p each.

The Ordinary shares were issued with an aggregate nominal value of £38,864 for cash of £388,636.

The A Ordinary shares were issued with an aggregate nominal value of £20,454 for cash of £2,045,455.

The B Ordinary shares were issued with an aggregate nominal value of £204,546 for cash of £206,591.

All three classes of shares carry equal voting rights.

On a return of assets on liquidation or capital reduction or otherwise, the assets of the Company remaining after the payment of its liabilities shall be applied in the following order of priority:

- First in paying to the holders of the A Ordinary shares £1.00 per share together with a sum equal to any arrears or accruals of any dividend declared;
- Second in paying to the holders of B Ordinary shares and the Ordinary shares, equally as if they constituted one class of share, £1.00 per share in the case of the Ordinary shares and £1.01 per share in the case of the B Ordinary shares, in each case together with a sum equal to any arrears or accruals of any dividend declared;
- The balance of the assets shall be distributed amongst the holders of the Equity Shares (equally as if they were one class of share) in proportion to the numbers of A Ordinary shares, B Ordinary shares and Ordinary shares held by them respectively.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT) AND MOVEMENT ON RESERVES

| <i>Group</i> | <i>Share capital £000</i> | <i>Share premium account £000</i> | <i>Profit and loss account £000</i> | <i>Total shareholders' funds £000</i> |
|-----------------------|-------------------------------|---------------------------------------|---|---|
| At incorporation | - | - | - | - |
| Issue of shares | 264 | 2,376 | - | 2,640 |
| Profit for the period | - | - | 2,005 | 2,005 |
| Exchange differences | - | - | (92) | (92) |
| At 31 March 2003 | 264 | 2,376 | 1,913 | 4,553 |

| <i>Company</i> | <i>Share capital £000</i> | <i>Share premium account £000</i> | <i>Profit and loss account £000</i> | <i>Total shareholders' funds/(deficit) £000</i> |
|---------------------|-------------------------------|---------------------------------------|---|---|
| At incorporation | - | - | - | - |
| Issue of shares | 264 | 2,376 | - | 2,640 |
| Loss for the period | - | - | (4,611) | (4,611) |
| At 31 March 2003 | 264 | 2,376 | (4,611) | (1,971) |

19. OBLIGATIONS UNDER OPERATING LEASES

At 31 March 2003 the group had annual commitments under non-cancellable operating leases as follows:

| | <i>Land and buildings 2003 £000</i> | <i>Other 2003 £000</i> |
|--------------------------------|---|--------------------------------|
| Operating leases which expire: | | |
| Within one year | 5 | 77 |
| In two to five years | 64 | 304 |
| | 69 | 381 |

20. PENSIONS

The Group operates three defined contribution pension schemes, the E2V Technologies Directors Standard Life Pension Scheme, the E2V Technologies Employees Norwich Union Pension Scheme and the E2V Technologies Inc 401K Pension Scheme. The costs incurred during the year were £729,000. There were no outstanding contributions at 31 March 2003.

21. RELATED PARTY TRANSACTIONS

The Group has contracted for consultancy services with Horne Roberts, a company in which Messrs Hassall and Slaughter have an interest. Amounts paid under the agreement for the period amount to £284,988, and the Group owed £19,500 under the agreement at 31 March 2003.

E2V Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2003

22. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the financial statements amounted to £2,346,000 for the group and £nil for the company.

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to net cash inflow from operating activities

| | <i>2003</i> |
|--|---------------|
| | <i>£000</i> |
| Operating profit | 6,863 |
| Depreciation and impairment of tangible fixed assets | 3,633 |
| Amortisation of patents | 5 |
| Amortisation of goodwill | 698 |
| Increase in prepayments on contracts | 166 |
| Increase in debtors | (6,203) |
| Decrease in stocks | 3,669 |
| Increase in creditors | 1,012 |
| Increase in provisions | 215 |
| Net cash inflow from operating activities | <u>10,058</u> |

(b) Analysis of net debt

| | <i>At</i> | <i>Cash</i> | | <i>Exchange</i> | <i>At</i> |
|-------|----------------------|-----------------|----------------|--------------------|-----------------|
| | <i>Incorporation</i> | <i>flow</i> | <i>Other</i> | <i>differences</i> | <i>31 March</i> |
| | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>£000</i> | <i>2003</i> |
| | | | | | <i>£000</i> |
| Cash | - | 6,877 | - | (79) | 6,798 |
| Loans | - | (52,011) | (2,671) | - | (54,682) |
| | <u>-</u> | <u>(45,134)</u> | <u>(2,671)</u> | <u>(79)</u> | <u>(47,884)</u> |