

**Harrier LLC**

Financial statements for the year ended 31 December 2001

Registered number: BR004467



## Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
<b>Turnover</b>		25,311	24,753
Cost of sales		(15,115)	(14,515)
<b>Gross profit</b>		10,196	10,238
Other operating expenses (net)	1	(6,468)	(5,841)
<b>Operating profit</b>		3,728	4,397
Investment income	3	1,080	1,783
Interest payable and similar charges	4	(691)	(724)
<b>Profit on ordinary activities before taxation</b>	5	4,117	5,456
Tax on profit on ordinary activities	6	(1,917)	(1,750)
<b>Retained profit for the year</b>		2,200	3,706

Turnover and operating profit derive entirely from continuing operations.

## Statement of total recognised gains and losses

For the year ended 31 December 2001

	2001 £'000	2000 £'000
Profit for the financial year	2,200	3,706
Other recognised gains and losses relating to the year	108	244
<b>Total recognised gains and losses relating to the year</b>	2,308	3,950

The accompanying notes are an integral part of the profit and loss account and the statement of total recognised gains and losses.

# Balance sheet

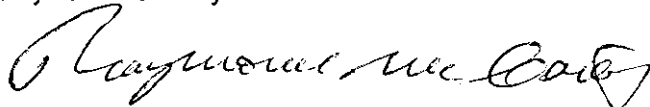
31 December 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Goodwill	7	1,590	1,731
Development costs	8	1,702	2,776
		<u>3,292</u>	<u>4,507</u>
Tangible assets	9	1,937	2,546
Investments	10	7,694	7,306
		<u>12,923</u>	<u>14,359</u>
<b>Current assets</b>			
Stocks	11	635	515
Debtors			
- due within one year	12	716	683
- due after more than one year	12	-	105
Marketable securities	13	2,728	3,139
Cash at bank and in hand		6,200	7,318
		<u>10,279</u>	<u>11,760</u>
<b>Creditors: Amounts falling due within one year</b>	14	(5,860)	(5,556)
<b>Net current assets</b>		<u>4,419</u>	<u>6,204</u>
<b>Total assets less current liabilities</b>		<u>17,342</u>	<u>20,563</u>
<b>Creditors: Amounts falling due after more than one year</b>	15	(7,639)	(8,748)
<b>Net assets</b>		<u>9,703</u>	<u>11,815</u>
<b>Members' capital</b>			
Members' capital	16	3,087	7,058
Profit and loss account	17	6,616	4,757
<b>Total members' funds</b>	18	<u>9,703</u>	<u>11,815</u>

Signed on behalf of the Board

Raymond McCarthy

Director



14 May 2002

The accompanying notes are an integral part of this balance sheet.

## Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

### **Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and, to the extent required for branch accounts, prepared in accordance with Section 700 of the Companies Act 1985 as modified by The Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

The financial statements present the results of Harrier LLC for the year ended 31 December 2001. Harrier LLC is a USA limited liability company (LLC). LLC's are formed in accordance with the laws of the state in which such entities are organised. LLCs generally have the following characteristics:

- An LLC is an unincorporated association of two or more "persons."
- Its members have limited personal liability for the obligations or debts of the entity.
- It is classified as a partnership for federal income tax purposes.

The financial statements have been prepared for the purposes of delivery to Companies House. They have been prepared in accordance with Section 700 of the Companies Act 1985 as modified by The Overseas Companies (Accounts) (Modifications and Exemptions) Order 1990.

### **Intangible assets - Goodwill**

Goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired.

Goodwill is capitalised and written off on a straight-line basis over its useful economic life of 15 years. Provision is made for any impairment.

### **Intangible assets - Research and development**

Research expenditure is written off as incurred.

### **Intangible assets – Development costs**

Development costs capitalised represent the market value of the customer list acquired on the acquisition of the trade and assets of the branch.

Development costs are being amortised at an annual rate of 25% reducing balance to match the costs with the expected future economic benefits that are attributable to that asset. Provision is made for any impairment.

## Statement of accounting policies (continued)

### **Tangible fixed assets**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on the following bases:

Leasehold improvements	- Term of lease or useful life if shorter
Plant and machinery	- 3 to 10 years
Motor vehicles	- 5 years

Residual value is calculated on prices prevailing at the date of acquisition.

### **Investments and marketable securities**

Fixed asset investments are shown at cost less any provision for impairment. Where any previously recorded impairment is reversed, a gain is recognised to the extent that the investment is restated to a maximum of its original cost.

Current asset marketable securities are stated at the lower of cost and net realisable value.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on the estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

### **Taxation**

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced.

### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

### **Leases**

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

## Statement of accounting policies (continued)

### **Turnover**

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

With effect from 1 May 2000, the LLC revised the contractual arrangements under which postage charges are made to customers. From this date the element of the charge that relates to postage has been treated by the LLC as a disbursement collected on behalf of the Post Office. As these charges no longer accrue to the LLC they are excluded from the profit and loss account. This treatment has been consistently followed in the current year.

### **Pension costs**

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

# Notes to the financial statements

31 December 2001

## 1 Other operating expenses (net)

	2001 £'000	2000 £'000
Selling and distribution costs	3,959	3,712
Administrative expenses	2,509	2,129
	<u>6,468</u>	<u>5,841</u>

## 2 Staff costs

Particulars of employees (including executive directors) are as shown below:

Employee costs during the year amounted to:

	2001 £'000	2000 £'000
Wages and salaries	3,944	3,754
Social security costs	311	294
Other pension costs	177	137
	<u>4,432</u>	<u>4,185</u>

The average monthly number of employees was:

	2001 Number	2000 Number
Production	274	270
Administration	23	23
	<u>297</u>	<u>293</u>

## 3 Investment income

	2001 £'000	2000 £'000
Income from fixed and current asset investments	585	176
Interest receivable	218	814
Exchange gain on foreign currency investments (net)	277	793
	<u>1,080</u>	<u>1,783</u>

# Notes to the financial statements (continued)

31 December 2001

## 4 Interest payable and similar charges

	2001 £'000	2000 £'000
Other loans	649	717
Interest on late payment of VAT	37	7
Interest on overdue corporation tax	5	-
	<u>691</u>	<u>724</u>

## 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	2001 £'000	2000 £'000
Depreciation and amounts written off tangible fixed assets		
- owned	994	849
Amortisation of goodwill	141	141
Amortisation of development costs	694	925
Impairment of development costs	380	-
Amounts (reinstated) written off fixed asset investments	-	(17)
Auditor's remuneration		
- audit fees	29	30
- other	70	51
Operating lease rentals		
- plant and machinery	6	23
- other	140	135
	<u>140</u>	<u>135</u>

## 6 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
The tax charge comprises:		
UK corporation tax	1,543	1,750
Adjustments in respect of prior years		
- UK corporation tax	374	-
	<u>1,917</u>	<u>1,750</u>



## Notes to the financial statements (continued)

31 December 2001

### 6 Tax on profit on ordinary activities (continued)

The deferred taxation liability (asset) provided and not provided is as follows:

	Provided		Not provided	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Accelerated capital allowances	-	-	(100)	(36)

### 7 Goodwill

#### Cost

At 1 January 2001 and 31 December 2001 £'000  
2,116

#### Amortisation

At 1 January 2001 385

Charge for the year 141

At 31 December 2001 526

#### Net book value

At 31 December 2000 1,731

At 31 December 2001 1,590

### 8 Development costs

#### Cost

At 1 January 2001 and 31 December 2001 £'000  
6,039

#### Amortisation

At 1 January 2001 3,263

Charge for the year 694

Impairment provision 380

At 31 December 2001 4,337

#### Net book value

At 31 December 2000 2,776

At 31 December 2001 1,702

# Notes to the financial statements (continued)

31 December 2001

## 9 Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2001	259	4,294	27	4,580
Additions	20	362	3	385
At 31 December 2001	279	4,656	30	4,965
<b>Depreciation</b>				
At 1 January 2001	102	1,931	1	2,034
Charge for the year	50	939	5	994
At 31 December 2001	152	2,870	6	3,028
<b>Net book value</b>				
At 31 December 2000	157	2,363	26	2,546
At 31 December 2001	127	1,786	24	1,937

## 10 Fixed asset investments

	2001 £'000	2000 £'000
Long-term deposits	3,901	3,782
Other investments	3,793	3,524
	<u>7,694</u>	<u>7,306</u>

### *Long term deposits*

The long-term deposit represents monies held in a US dollar deposit account as a hedge against the long-term loan. The year-end balance of £3,901,000 (2000 - £3,782,000) represents an initial deposit of £3,412,000 (2000 - £3,412,000) and a cumulative exchange gain on retranslation of £489,000 (2000 - £370,000). The exchange gain in the year of £119,000 (2000 - £276,000) has been recognised in the profit and loss account.

# Notes to the financial statements (continued)

31 December 2001

## 10 Fixed asset investments (continued)

### Other investments

	Other investments £'000
<b>Cost and net book value</b>	
At 1 January 2001	3,524
Additions	269
At 31 December 2001	<u>3,793</u>

These other investments represent fixed income municipal bonds, which are managed by an independent broker.

Additions to other investments represent an unrealised exchange gain of £108,000 and interest receivable of £161,000 which have been recognised in the statement of total recognised gains and losses and the profit and loss account, respectively, during the year.

	2001 £'000	2000 £'000
Listed investments included above at cost	<u>3,793</u>	<u>3,524</u>
Their aggregate market value was	<u>3,930</u>	<u>3,587</u>
The tax liability if they were sold at this value would be	<u>-</u>	<u>-</u>

# Notes to the financial statements (continued)

31 December 2001

## 11 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	<u>635</u>	<u>515</u>

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

## 12 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	246	254
Other debtors	173	52
Prepayments and accrued income	<u>297</u>	<u>377</u>
	<u>716</u>	<u>683</u>
Amounts falling due after more than one year:		
Other debtors	<u>-</u>	<u>105</u>

Other debtors, falling due after more than one year, represent repayable lease deposits.

## 13 Marketable securities

Marketable securities represent short-term deposits and bonds at financial institutions which bear interest at commercial market rates.

## Notes to the financial statements (continued)

31 December 2001

### 14 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Other loan	1,109	1,037
Trade creditors	1,213	1,855
Other creditors		
- UK corporation tax	1,422	1,306
- VAT	1,225	638
- Social security and PAYE	81	82
Accruals and deferred income	810	638
	<u>5,860</u>	<u>5,556</u>

### 15 Creditors: Amounts falling due after more than one year

	2001 £'000	2000 £'000
Other loan	<u>7,639</u>	<u>8,748</u>

The other loan is repayable as follows:

	2001 £'000	2000 £'000
Amounts payable		
- within one year	1,109	1,037
- between one and two years	1,186	1,109
- between two and five years	4,080	3,814
- after five years	2,373	3,825
	<u>8,748</u>	<u>9,785</u>

The loan bears interest at commercial market rates and is not secured against any of the assets of the LLC.

## Notes to the financial statements (continued)

31 December 2001

### 16 Members' capital

	2001 £'000	2000 £'000
At 1 January 2001	7,058	9,323
Members' capital repaid at historic exchange rate	(4,420)	(2,464)
Exchange difference on members' capital repaid	449	199
At 31 December 2001	<u>3,087</u>	<u>7,058</u>

Members' capital is a US dollar denominated balance and has been treated as a non-monetary item in these accounts. The dollar amount of this balance at 31 December 2001 is \$4,976,000 (2000 - \$11,376,000).

The exchange difference arises on the repayment of members' capital due to a movement between the historic exchange rate at which this capital was received and the actual exchange rate of repayment. This exchange difference has been transferred to the profit and loss account, as a reserve movement, to maintain the members' capital at the historic rate.

### 17 Profit and loss account

	2001 £'000	2000 £'000
At 1 January 2001	4,757	1,006
Retained profit for the year	2,200	3,706
Other recognised gains and losses relating to the year	108	244
Exchange difference on members' capital repaid (note 16)	(449)	(199)
At 31 December 2001	<u>6,616</u>	<u>4,757</u>

## Notes to the financial statements (continued)

31 December 2001

### 18 Reconciliation of movement in members' funds

	2001 £'000	2000 £'000
Opening members' funds	11,815	10,329
Retained profit for the year	2,200	3,706
Members' capital repaid at historic rate	(4,420)	(2,464)
Other recognised gains and losses relating to the year	108	244
Closing members' funds	<u>9,703</u>	<u>11,815</u>

### 19 Financial commitments

#### a) Capital commitments

There are no capital commitments outstanding at 31 December 2001 (2000 – £Nil).

#### b) Operating leases

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings 2001 £'000	Other 2001 £'000	Land and Buildings 2000 £'000	Other 2000 £'000
Expiry date				
- within one year	-	-	-	14
- between two and five years	-	-	-	-
- after five years	140	-	140	-
	<u>140</u>	<u>-</u>	<u>140</u>	<u>14</u>

### 20 Pension arrangements

The LLC operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from the assets of the business.

The pension charge during the year was £177,000 (2000 - £137,000).