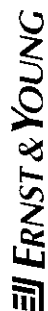


HARRIER LLC

Financial Statements

31 December 2002

Registered No. BR004467

 ERNST & YOUNG

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit and loss 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 reasonably and prudent;
- prepare the financial statements on the ongoing 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 group and to prevent and detect fraud and other irregularities.

Harrier LLC

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2002

		2002	Restated 2001
	Notes	£'000	£'000
TURNOVER		31,531	29,922
Cost of sales		19,528	(19,447)
GROSS PROFIT		12,003	10,475
Selling and distribution costs		4,407	4,238
Administrative expenses		2,465	2,509
OPERATING PROFIT	3	5,131	3,728
Investment income	4	514	1,080
Interest payable and similar charges	5	(1,374)	(691)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,271	4,117
Tax on profit on ordinary activities	6	(1,401)	(1,831)
RETAINED PROFIT FOR THE YEAR		2,870	2,286

Turnover and operating profit derive entirely from continuing operations.

Harrier LLC

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2002

	2002 £'000	<i>Restated</i> 2001 £'000
Profit for the financial year	2,870	2,286
Other recognised gains and losses relating to the year	(376)	108
Total recognised gains and losses relating to the year	<u>2,494</u>	<u>2,394</u>
 Prior year adjustment	 14	
Total recognised gains and losses since last annual report	<u>2,508</u>	

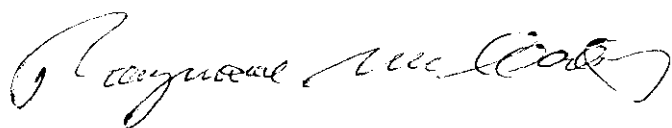
Harrier LLC

GROUP BALANCE SHEET at 31 December 2002

		2002	Restated 2001
	Notes	£'000	£'000
FIXED ASSETS			
Goodwill	7	1,449	1,590
Development costs	8	1,264	1,702
		<u>2,713</u>	<u>3,292</u>
Tangible assets	9	1,691	1,937
Investments	10	7,098	7,694
		<u>11,502</u>	<u>12,923</u>
CURRENT ASSETS			
Stocks	11	665	635
Debtors due within one year	12	793	816
Marketable securities	13	1	2,728
Cash at bank and in hand		6,405	6,200
		<u>7,864</u>	<u>10,379</u>
CREDITORS: Amounts falling due within one year	14	<u>(4,458)</u>	<u>(5,860)</u>
NET CURRENT ASSETS		<u>3,406</u>	<u>4,519</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,908</u>	<u>17,442</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(6,452)</u>	<u>(7,639)</u>
NET ASSETS		<u>8,456</u>	<u>9,803</u>
MEMBERS CAPITAL			
Initial members' capital	16	636	636
Additional members' capital	16	-	2,451
Profit and loss account	16	7,820	6,716
TOTAL MEMBERS' FUNDS	16	<u>8,456</u>	<u>9,803</u>

These financial statements were approved by the board of directors on
on its behalf by:

2003 and were signed



Director

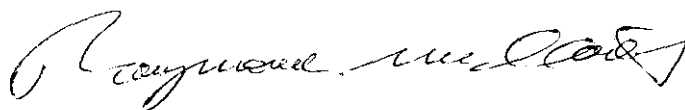
Harrier LLC

BALANCE SHEET at 31 December 2002

		2002	Restated 2001
	Notes	£'000	£'000
FIXED ASSETS			
Goodwill	7	1,449	1,590
Development costs	8	1,264	1,702
		<u>2,713</u>	<u>3,292</u>
Tangible assets	9	1,691	1,937
Investments	10	7,104	7,694
		<u>11,508</u>	<u>12,923</u>
CURRENT ASSETS			
Stocks	11	665	635
Debtors due within one year	12	793	816
Marketable securities	13	1	2,728
Cash at bank and in hand		6,399	6,200
		<u>7,858</u>	<u>10,379</u>
CREDITORS: Amounts falling due within one year	14	<u>(4,470)</u>	<u>(5,860)</u>
NET CURRENT ASSETS		<u>3,388</u>	<u>4,519</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>14,896</u>	<u>17,442</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(6,452)</u>	<u>(7,639)</u>
NET ASSETS		<u>8,444</u>	<u>9,803</u>
MEMBERS CAPITAL			
Initial members' capital	16	636	636
Additional members' capital	16	-	2,451
Profit and loss account	16	7,808	6,716
TOTAL MEMBERS' FUNDS	16	<u>8,444</u>	<u>9,803</u>

These financial statements were approved by the board of directors on
on its behalf by:

2003 and were signed



Director

NOTES TO THE ACCOUNTS
at 31 December 2002

1 ACCOUNTING POLICIES

Accounting convention

The principle 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 2002. 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.

NOTES TO THE ACCOUNTS
at 31 December 2002

1 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 costs.

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 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 adjustment) 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;
- 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.

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described above. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

This change in accounting policy has resulted in a prior year adjustment for both the group and the LLC.

NOTES TO THE ACCOUNTS
at 31 December 2002

1 ACCOUNTING POLICIES (continued)

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.

Turnover

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

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.

2 STAFF COSTS

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

Employee costs during the year amounted to:

	2002 £'000	2001 £'000
Wages and salaries	4,012	3,944
Social security costs	308	311
Other pension costs	145	177
	<u>4,465</u>	<u>4,432</u>

The average monthly number of employees was:

	2002 Number	2001 Number
Production	268	274
Administration	25	23
	<u>293</u>	<u>297</u>

NOTES TO THE ACCOUNTS
at 31 December 2002

3 OPERATING PROFIT

This is stated after charging (crediting):

	2002 £'000	2001 £'000
Depreciation and amounts written off tangible fixed assets owned	585	994
Amortisation of goodwill	141	141
Amortisation of development costs	438	694
Impairment of development costs	-	380
Auditor's remuneration		
audit fees	21	29
other	30	70
Operating lease rentals		
plant and machinery	-	6
other	179	140
	<u>585</u>	<u>994</u>

4 INVESTMENT INCOME

	2002 £'000	2001 £'000
Income from fixed and current asset investments	334	585
Interest receivable	180	218
Exchange gain or foreign currency investments (net)	-	277
	<u>514</u>	<u>1,080</u>

5 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £'000	2001 £'000
Other loans	578	649
Interest on late payment of VAT	50	37
Interest on overdue corporation tax	60	5
Exchange loss on foreign currency investments (net)	686	-
	<u>1,374</u>	<u>691</u>

Harrier LLC

NOTES TO THE ACCOUNTS at 31 December 2002

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £'000	2001 £'000
(a) Tax on profit on ordinary activities		
<i>UK Corporation Tax</i>		
UK corporation tax on profits of the period	1,390	1,543
Adjustments in respect of previous periods	-	374
	<u>1,390</u>	<u>1,917</u>
<i>Deferred Tax</i>		
Originating and reversal of timing differences	11	(86)
	<u>1,401</u>	<u>1,831</u>

(b) Factors affecting the tax charge for the period

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below.

	2002 £'000	2001 £'000
Profit on ordinary activities before tax	<u>4,271</u>	<u>4,117</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30.00% (2001: 30.00%)	1,281	1,235
Effect of:		
Disallowed expenses and non taxable income	113	239
Depreciation in excess of capital allowances	(14)	75
Other timing differences	5	(6)
Adjustments in respect of previous periods		374
Others	5	-
Current tax charge for the period	<u>1,390</u>	<u>1,917</u>

Harrier LLC

NOTES TO THE ACCOUNTS at 31 December 2002

7 GOODWILL

Group and Company

£'000

Cost:

At 1 January 2002 and 31 December 2002

2,116

Amortisation:

At 1 January 2002

526

Charge for the year

141

At 31 December 2002

667

Net book value:

At 31 December 2002

1,449

At 31 December 2001

1,590

8 DEVELOPMENT COSTS

Group and Company

£'000

Cost:

At 1 January 2002 and 31 December 2002

6,039

Amortisation:

At 1 January 2002

4,337

Charge for the year

438

Impairment provision

-

At 31 December 2002

4,775

Net book value:

At 31 December 2002

1,264

At 31 December 2001

1,702

Harrier LLC

NOTES TO THE ACCOUNTS at 31 December 2002

9 TANGIBLE FIXED ASSETS

Group and Company

	<i>Leasehold improvements</i>	<i>Plant and machinery</i>	<i>Motor vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 January 2002	279	4,656	30	4,965
Additions	5	489	14	508
Disposals	(66)	(398)	-	(464)
At 31 December 2002	218	4,747	44	5,009
Depreciation:				
At 1 January 2002	152	2,870	6	3,028
Charge for the year	41	537	7	585
Disposals	(66)	(229)	-	(295)
At 31 December 2002	127	3,178	13	3,318
Net book value:				
At 31 December 2002	91	1,569	31	1,691
At 31 December 2001	127	1,786	24	1,937

10 FIXED ASSET INVESTMENTS

		<i>Group</i>	<i>Company</i>
		<i>2002</i>	<i>2001</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>
Long-term deposits	(a)	3,525	3,901
Other investments	(b)	3,573	3,793
Subsidiary undertakings	(c)	-	-
		7,098	7,694

(a) Long-term deposits

The long-term deposits represents monies held in a US dollar deposit account as a hedge against the long-term loan. The year-end balance of £3,525,000 (2001: £3,901,000) represents an initial deposit of £3,412,000 (2001: £3,412,000) and a cumulative exchange gain on retranslation of £113,000 (2001: £489,000). The exchange loss in the year of £376,000 (2001: £119,000) has been recognised in the profit and loss account.

Harrier LLC

NOTES TO THE ACCOUNTS at 31 December 2002

10 FIXED ASSET INVESTMENTS (continued) (b) Other investments

	<i>Other investments</i> £'000
Cost and net book value	
At 1 January 2002	3,793
Additions	155
Disposals	(376)
At 31 December 2002	<u>3,572</u>

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

Disposals to other investments represent an unrealised exchange loss of £376,000 and interest receivable of £155,000 which have been recognised in the statement of total recognised gains and losses and the profit and loss account, respectively, during the year.

	2002 £'000	2001 £'000
Listed investments included above at cost	<u>3,572</u>	<u>3,793</u>
Their aggregate market value was	<u>3,787</u>	<u>3,930</u>

(c) Subsidiary undertakings

	£'000
Cost:	
Additions	6
At 31 December 2002	<u>6</u>

The company owns the entire share capital of Emerald Isle Photo EURL, a company incorporated in France, which is engaged in marketing.

11 STOCKS

<i>Group and Company</i>	2002 £'000	2001 £'000
Raw materials and consumables	<u>665</u>	<u>635</u>

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

Harrier LLC

NOTES TO THE ACCOUNTS at 31 December 2002

12 DEBTORS

	<i>Group</i>		<i>Company</i>	
	<i>Restated</i>		<i>Restated</i>	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	344	246	344	246
Other debtors	137	173	137	173
Prepayments and accrued income	223	297	223	297
Deferred taxation	89	100	89	100
	<u>793</u>	<u>816</u>	<u>793</u>	<u>816</u>
	<u><u>793</u></u>	<u><u>816</u></u>	<u><u>793</u></u>	<u><u>816</u></u>

The analysis of the deferred taxation balance is as follows:

	<i>Group</i>		<i>Company</i>	
	<i>Restated</i>		<i>Restated</i>	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Accelerated capital allowances	85	99	85	99
Other timing differences	4	1	4	1
	<u>89</u>	<u>100</u>	<u>89</u>	<u>100</u>
	<u><u>89</u></u>	<u><u>100</u></u>	<u><u>89</u></u>	<u><u>100</u></u>

13 MARKETABLE SECURITIES

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

14 CREDITORS: amounts falling due within one year

	<i>Group</i>		<i>Company</i>	
	<i>Restated</i>		<i>Restated</i>	
	2002	2001	2002	2001
	£'000	£'000	£'000	£'000
Other loan	1,186	1,109	1,186	1,109
Trade creditors	1,284	1,213	1,284	1,213
Other creditors				
UK corporation tax	672	1,422	672	1,422
VAT	576	1,225	576	1,225
Social security and PAYE	81	81	81	81
Accruals and deferred income	659	810	659	810
Amounts due to subsidiary undertaking	-	-	12	-
	<u>4,458</u>	<u>5,860</u>	<u>4,470</u>	<u>5,860</u>
	<u><u>4,458</u></u>	<u><u>5,860</u></u>	<u><u>4,470</u></u>	<u><u>5,860</u></u>

NOTES TO THE ACCOUNTS

at 31 December 2002

15 CREDITORS: amounts falling due after more than one year

<i>Group and Company</i>	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Not wholly repayable within five years:		
£11,214,000 loan at 6.87% repayable in semi-annual instalments of £845,000 until May 2008	7,638	8,748
Less: Included in creditors: amounts falling due within one year	1,186	1,109
	<u>6,452</u>	<u>7,639</u>
<i>Group and Company</i>	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Amounts payable:		
within one year	1,186	1,109
between one and two years	1,269	1,186
between two and five years	4,367	4,080
after five years	816	2,373
	<u>7,638</u>	<u>8,748</u>

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

16 RECONCILIATION OF MEMBERS' CAPITAL AND MOVEMENTS ON RESERVES

<i>a) Group</i>	<i>Initial Members Capital £'000</i>	<i>Additional members capital £'000</i>	<i>Profit and loss reserve £'000</i>	<i>Total £'000</i>
At 1 January 2001 as previously reported	636	6,422	4,757	11,815
Prior year adjustment	-	-	14	14
At 1 January 2001 as restated	636	6,422	4,771	11,829
Capital repaid in year to members	-	(4,420)	-	(4,420)
Retained profit for the year	-	-	2,286	2,286
Exchange difference on members capital repaid	-	449	(449)	-
Other recognised gains and losses relating to the year	-	-	108	108
At 31 December 2001	636	2,451	6,716	9,803
Capital repaid in year to members	-	(3,841)	-	(3,841)
Retained profit for the year	-	-	2,870	2,870
Exchange difference on members capital	-	118	(118)	-
Transfer to members capital	-	1,272	(1,272)	-
Other recognised gains and losses relating to the year	-	-	(376)	(376)
At 31 December 2002	636	-	7,820	8,456

NOTES TO THE ACCOUNTS
at 31 December 2002

16 RECONCILIATION OF MEMBERS' CAPITAL AND MOVEMENTS ON RESERVES
(continued)

b) Company

	<i>Initial Members Capital £'000</i>	<i>Additional members capital £'000</i>	<i>Profit and loss reserve £'000</i>	<i>Total £'000</i>
At 1 January 2001 as previously reported	636	6,422	4,757	11,815
Prior year adjustment	-	-	14	14
At 1 January 2001 as restated	636	6,422	4,771	11,829
Capital repaid in year to members	-	(4,420)	-	(4,420)
Retained profit for the year	-	-	2,286	2,286
Exchange difference on members capital repaid	-	449	(449)	-
Other recognised gains and losses relating to the year	-	-	108	108
At 31 December 2001	636	2,451	6,716	9,803
Capital repaid in year to members	-	(3,841)	-	(3,841)
Retained profit for the year	-	-	2,858	2,858
Exchange difference on members capital	-	118	(118)	-
Transfer to members capital	-	1,272	(1,272)	-
Other recognised gains and losses relating to the year	-	-	(376)	(376)
At 31 December 2002	636	-	7,808	8,444

17 FINANCIAL COMMITMENTS

a) Capital commitments
£Nil (2001: £Nil)

b) Operating leases

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

<i>Group and Company</i>	<i>Land and buildings</i>	
	<i>2002</i>	<i>2001</i>
	<i>£'000</i>	<i>£'000</i>
Expiry date		
within one year	-	-
between two and five years	34	-
after five years	145	140
	179	140

NOTES TO THE ACCOUNTS

at 31 December 2002

18 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 £145,000 (2001: £177,000).

19 CONTINGENT LIABILITY

The loan disclosed in note 15 represents company's share of a loan taken out in May 1998 by the company and two other parties. The company and the two other parties are jointly and severally liable for all payments of capital and interest in respect of the entire loan. In addition, the loan is also guaranteed by a third party. The total amount owing on the loan as at 31 December 2002 by all three parties amounted to £19.8m.