

**ANNUAL FINANCIAL STATEMENTS**

**SANIP (PROPRIETARY) LIMITED**

**AT**

**31 DECEMBER 2002**

**SANIP (PROPRIETARY) LIMITED****ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2002****DIRECTORS****AUDITORS**

Ernst &amp; Young

**BANKERS**

Standard Bank of South Africa Limited

**WHOLLY OWNED SUBSIDIARY OF** Saab Aerospace Overseas AB**COMPANY REGISTRATION  
NUMBER**

1998/009353/07

**REGISTERED OFFICE**Ernst & Young  
52 Corlett Drive  
Illovo  
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Johannesburg  
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**APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements set out on pages 3 to 14 were approved by the board of directors on 17 January 2003.

Signed on behalf of the board by:

## **REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SANIP (PROPRIETARY) LIMITED**

We have audited the annual financial statements of Sanip (Proprietary) Limited set out on pages 3 to 14 for the year ended 31 December 2002. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

### **Scope**

We conducted our audit in accordance with Statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

### **Audit opinion**

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2002, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Companies Act in South Africa.

### **Accounting and secretarial duties**

With the written consent of all members, we have performed certain secretarial duties.

### **Supplementary information**

The supplementary schedule set out on page 15 to 16 does not form part of the annual financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

REGISTERED ACCOUNTANTS AND AUDITORS  
CHARTERED ACCOUNTANTS (SA)

Johannesburg  
17 January 2003

**SANIP (PROPRIETARY) LIMITED  
REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 31 DECEMBER 2002**

**BUSINESS AND OPERATIONS**

The main object of the company is to satisfy the contractual obligations to the government of South Africa of the National Industrial Participation included in the contract for the procurement of Gripen Fighter Aircraft, dated April 2000.

**FINANCIAL RESULTS**

The results of the company and the state of its affairs are set out in the attached financial statements and do not, in our opinion, require further comments.

**SHARE CAPITAL**

There were no changes in the authorised or issued share capital of the company during the year under review.

**PROPERTY, PLANT AND EQUIPMENT**

There has been no change in the nature of property, plant and equipment nor in the policy regarding their use.

**DIVIDENDS**

No dividends were declared or paid to members during the year

**DIRECTORS**

Particulars of the present directors are given on page 1.

**HOLDING COMPANY AND ULTIMATE HOLDING COMPANY**

The company's holding company is Saab Aerospace Overseas AB, a company registered in Sweden.

**NUMBER OF EMPLOYEES**

The average number of employees during the year was 11 (2001 : 9).

**EVENTS SUBSEQUENT TO YEAR END**

No material fact or circumstance has occurred between the accounting date and the date of this report.

**SANIP (PROPRIETARY) LIMITED  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 R	2001 R
REVENUE	2	20,851,688	11,414,113
Operating expenses		<u>19,535,134</u>	<u>10,555,160</u>
OPERATING PROFIT	3	1,316,554	858,953
Interest received		126,009	57,562
Finance costs		<u>724</u>	<u>1,253</u>
NET PROFIT BEFORE TAXATION		1,441,839	915,262
Taxation	4	<u>466,317</u>	<u>260,573</u>
NET PROFIT FOR THE YEAR		<u><u>975,522</u></u>	<u><u>654,689</u></u>

**SANIP (PROPRIETARY) LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2002**

	Note	2002 R	2001 R
<b>ASSETS</b>			
<b>Non-current assets</b>		2,022,167	413,525
Property, plant and equipment	5	1,047,167	413,525
Loans Receivable	6	975,000	-
Amounts owing by group companies	9	4,060,800	2,793,956
<b>Current assets</b>		6,979,916	3,312,082
Trade and other receivables	7	4,558,352	2,793,956
Bank balances and cash		2,421,564	518,126
<b>Total assets</b>		<u>9,002,083</u>	<u>3,725,607</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>		2,154,044	1,178,522
Share capital	8	200,000	200,000
Accumulated profit		1,954,044	978,522
<b>Current liabilities</b>		6,848,039	2,547,085
Amounts owing to group companies	9	5,893,840	1,893,840
Trade and other payables		491,402	402,674
Taxation		351,292	176,260
Provisions	10	111,505	-
Bank overdraft		-	74,311
<b>Total equity and liabilities</b>		<u>9,002,083</u>	<u>3,725,607</u>

**SANIP (PROPRIETARY) LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	2002 R	2001 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		3,838,756	(320,975)
Cash receipts from customers		10,018,302	2,989,751
Cash paid to suppliers and employees		6,013,546	3,141,286
Cash generated by/(absorbed by) operating activities	13.1	4,004,756	(151,535)
Interest received		126,009	57,562
Finance costs		(724)	(1,253)
Taxation paid	13.2	(291,285)	(225,749)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(1,861,007)	(192,242)
Investment to maintain operations			
Replacement of property, plant and equipment		(693,765)	-
Investment to expand operations			
Additions to property, plant and equipment		(192,242)	(192,242)
Loans advanced		(975,000)	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		2,733,156	-
Long term loans repaid		(1,266,844)	-
Short term borrowings raised		4,000,000	-
Net increase/(decrease) in cash and cash equivalents		4,710,905	(513,217)
Cash and cash equivalents at the beginning of the year	13.3	443,815	957,032
Cash and cash equivalents at the end of the year		5,154,720	443,815

**SANIP (PROPRIETARY) LIMITED  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	<b>Share capital R</b>	<b>Accumulated profit R</b>	<b>Total R</b>
Balance at 01 January 2001	200,000	323,833	523,833
Net profit for the year		654,689	654,689
Balance at 01 January 2002	200,000	978,522	1,178,522
Net profit for the year		975,522	975,522
Balance at 31 December 2002	200,000	1,954,044	2,154,044



**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

**1. ACCOUNTING POLICIES**

The financial statements set out on pages 3 to 14 are prepared on the historical cost basis unless otherwise stated and comply with South African Statements of Generally Accepted Accounting Practice and incorporate the following principal accounting policies which are consistent with those applied in the previous year.

**1.1 Property, plant and equipment**

Fixed assets are depreciated on a straight line basis estimated to write each asset down to estimated residual value over the term of its useful life at the following rates:

- Motor vehicles	20% per annum
- Furniture and fittings	16,67% per annum
- Office equipment	16,67% per annum
- Computer equipment	33,33% per annum
- Computer software	50% per annum

**1.2 Financial instruments**

Financial instruments recognised on the balance sheet include cash and cash equivalents, trade receivables, trade creditors and borrowings.

**1.3 Provisions**

Provisions are recognised where the company has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

**1.4 Revenue recognition**

Revenue from the rendering of services is recognised on the accrual basis.

**2. REVENUE**

Revenue represents billings to Group Companies in assisting to satisfy the contractual obligations to the government of South Africa of the National Industrial Participation included in the contract for the procurement of Grippen Fighter Aircraft.

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

	2002 R	2001 R
<b>3. OPERATING PROFIT</b>		
The operating profit is stated after:		
<b>Expenses</b>		
Auditors' remuneration	82,660	51,030
- audit fee	54,000	36,000
- prior year under-provision	12,060	-
- other services	16,600	15,030
Depreciation	252,365	128,084
- on owned assets		
- Motor vehicles	81,207	46,530
- Furniture and fittings	37,033	22,164
- Office equipment	19,005	11,961
- Computer equipment	75,550	32,616
- Computer software	39,570	14,813
Staff costs		
- salaries and wages	4,046,607	2,793,956
Operating lease expense		
- premises	943,842	582,614
	<u>466,317</u>	<u>286,394</u>
<b>4. TAXATION</b>		
South African normal tax		
- Current tax	466,317	286,394
Adjustment for previous year		
- Current tax	-	(25,821)
	<u>466,317</u>	<u>260,573</u>
Reconciliation of tax rate	%	%
Standard tax rate	30.00	30.00
Adjusted for:		
Disallowable expenditure	3.29	1.00
Prior year adjustments	-	(3.00)
Effective tax rate	<u>33.29</u>	<u>28.00</u>

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

**5. PROPERTY, PLANT AND EQUIPMENT**

	2002			2001		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
<b>Motor vehicles</b>	840,307	224,400	615,907	232,650	143,193	89,457
<b>Furniture and fittings</b>	245,565	71,466	174,099	151,197	34,433	116,764
<b>Office equipment</b>	132,024	35,678	96,346	73,731	16,673	57,058
<b>Computer equipment</b>	266,164	136,417	129,747	151,426	60,867	90,559
<b>Computer software</b>	85,450	54,382	31,068	74,500	14,813	59,687
	<u>1,569,510</u>	<u>522,343</u>	<u>1,047,167</u>	<u>683,504</u>	<u>269,979</u>	<u>413,525</u>

The carrying amounts of property, plant and equipment can be reconciled as follows:

	Carrying value at beginning of year	Additions	Depreciation	Carrying value at end of year
<i>Owned assets</i>				
<b>Motor vehicles</b>	89,457	607,657	(81,207)	615,907
<b>Furniture and fittings</b>	116,764	94,368	(37,033)	174,099
<b>Office equipment</b>	57,058	58,293	(19,005)	96,346
<b>Computer equipment</b>	90,559	114,738	(75,550)	129,747
<b>Computer software</b>	59,687	10,951	(39,570)	31,068
	<u>413,525</u>	<u>886,007</u>	<u>(252,365)</u>	<u>1,047,167</u>

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

	2002 R	2001 R
<b>6. LOANS RECEIVABLE</b>		
Anthony & Micheal Close Corporation This loan is unsecured, rand denominated and interest free. The repayment date of the loan is 1 April 2004.	225,000	-
Veriytech Close Corporation This loan is unsecured, rand denominated and interest free. There are no fixed repayment terms. Executive share purchase trust	750,000	-
	<u>975,000</u>	<u>-</u>

**7. TRADE AND OTHER RECEIVABLES**

Included in accounts receivable is an amount of R4 060 800 (2001: R2 270 148) due from group companies.

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

	2002 R	2001 R
<b>8. SHARE CAPITAL</b>		
Authorised: 500,000 ordinary shares of R1 each	<u>500,000</u>	<u>500,000</u>
Issued: 200,000 ordinary shares of R1 each	<u>200,000</u>	<u>200,000</u>
<b>9. GROUP COMPANIES</b>		
Loan from holding company: - SAAB International AB	5,893,840	1,893,840
Amounts Receivable from group companies	<u>(4,060,800)</u>	<u>(2,793,956)</u>
	<u>1,833,040</u>	<u>(900,116)</u>
The loan is unsecured, interest free and is repayable on demand.		
Total amounts receivable	<u>4,060,800</u>	<u>2,793,956</u>
Total amounts payable	<u>5,893,840</u>	<u>1,893,840</u>
<b>10. PROVISIONS</b>		
Provisions for leave pay Provided during year	<u>111,505</u>	<u>-</u>
<b>11. FINANCIAL INSTRUMENTS</b>		

**Credit risk management**

The company only deposits cash surpluses with major banks of high quality credit standing.

**Liquidity risk**

The company has minimised its liquidity risk by ensuring that it has adequate banking facilities and reserve borrowing capacity.

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

**12. RELATED PARTIES**

Related party transactions exist between the company, its holding company and other subsidiaries. All revenue is received from related parties. All purchasing and selling transactions with related parties are concluded at arm's length.

Amounts owing to group companies are set out in note 9.

	2002 R	2001 R
<b>13. NOTES TO THE CASH FLOW STATEMENT</b>		
<b>13.1 Reconciliation of net profit before taxation to cash generated by/(absorbed by) operations</b>		
Net profit before taxation	1,441,839	915,262
<b>Adjustments:</b>		
Depreciation and amortisation	252,365	128,084
Interest received	(126,009)	(57,562)
Finance costs	724	1,253
Increase in Provision for Leave Pay	111,505	-
	<u>1,680,424</u>	<u>987,037</u>
Decrease/(increase) in working capital	2,324,332	(1,138,572)
Increase in accounts receivable	(1,764,396)	(1,461,540)
Decrease in net amount owing by group companies	4,000,000	-
Increase in accounts payable	88,728	322,968
	<u>4,004,756</u>	<u>(151,535)</u>
Cash generated by/(absorbed by) operations	<u>4,004,756</u>	<u>(151,535)</u>
<b>13.2 Taxation paid</b>		
Amount owing at the beginning of the year	(176,260)	(141,436)
Amount charged to the income statement excluding deferred taxation	(466,317)	(260,573)
Amounts owing at the end of the year	351,292	176,260
	<u>(291,285)</u>	<u>(225,749)</u>
Amount paid	<u>(291,285)</u>	<u>(225,749)</u>

**SANIP (PROPRIETARY) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT 31 DECEMBER 2002**

**13.3 Cash and cash equivalents**

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

Bank balances and cash	2,421,564	518,126
Bank overdraft	-	(74,311)
	<hr/>	<hr/>
Cash and cash equivalents	<u>2,421,564</u>	<u>443,815</u>

**SANIP (PROPRIETARY) LIMITED  
DETAILED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2002**

	Page	2002 R	2001 R
REVENUE		20,851,688	11,414,113
OTHER INCOME			
Interest received		126,009	57,562
		<u>20,977,697</u>	<u>11,471,675</u>
EXPENSES	16	19,535,858	10,556,413
PROFIT BEFORE TAXATION		<u>1,441,839</u>	<u>915,262</u>



**SANIP (PROPRIETARY) LIMITED**  
**DETAILED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

	<b>2002</b>	<b>2001</b>
	<b>R</b>	<b>R</b>
Accounting fees	140,940	104,927
Administration fees paid	-	50,000
Advertising	-	134,831
Auditors remuneration	82,660	51,030
Bank charges	23,893	14,745
Computer expenses	320,702	542,660
Conferences	19,967	64,641
Project expenditure	7,464,798	1,297,758
Consumables	13,248	8,992
Depreciation	252,365	128,084
Donations	15,000	23,420
Entertainment	355,534	355,914
Fines and penalties	1,046	5,749
General expenses	157,954	45,657
Insurance	97,550	202,970
Interest	724	1,253
Legal expenses	407,331	533,710
Motor vehicle expenses	130,281	102,304
Office expenses	10,090	22,048
Moving expenses	170,609	-
Recruitment fees	396,805	57,739
Printing and stationery	104,492	102,228
Regional Services Council levies	32,731	27,072
Rental of equipment	486,592	345,279
Rental of premises	1,251,681	582,614
Repairs and maintenance	12,801	17,152
Salaries	4,046,607	3,171,557
Security	86,165	1,500
Staff training and welfare	130,833	70,883
Subscriptions	23,184	113,709
Telephone	424,413	356,323
Transport and freight	21,096	61,826
Travel - local	448,626	-
Travel - overseas	2,405,140	1,957,838
<b>EXPENSES</b>	<b>19,535,858</b>	<b>10,556,413</b>