

ANNUAL FINANCIAL STATEMENTS

SANIP (PROPRIETARY) LIMITED

AT

31 DECEMBER 2003

SANIP (PROPRIETARY) LIMITED**ANNUAL FINANCIAL STATEMENTS AT 31 DECEMBER 2003****DIRECTORS****AUDITORS**

Ernst & Young

BANKERS

Standard Bank of South Africa Limited

WHOLLY OWNED**SUBSIDIARY OF**

Saab Aerospace Overseas AB

**COMPANY REGISTRATION
NUMBER**

1998/009353/07

REGISTERED OFFICEErnst & Young
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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 13 were approved by the board of directors on 24 March 2004.

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 13 for the year ended 31 December 2003. 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.

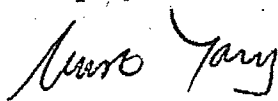
We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the company at 31 December 2003 and the results of its operations and cash flows 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.

Going concern

Without qualifying our opinion above, we draw your attention to the note in the directors report regarding going concern that indicates that the business activities in relation to the discharge of the National Industrial Participation obligation from Sanip (Pty) Limited to BAE Systems (Gripen Overseas) Limited with effect 1 January 2004. This condition indicates material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.



REGISTERED ACCOUNTANTS AND AUDITORS
CHARTERED ACCOUNTANTS (SA)

Johannesburg
24 March 2004

**SANIP (PROPRIETARY) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2003**

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.

GOING CONCERN

The following material facts have occurred between the balance sheet date and the date of this report.

A decision was taken to transfer all the business activities in relation to the discharge of the National Industrial Participation obligation from Sanip (Pty) Limited to BAE Systems (Gripen Overseas) Limited.

SANIP (PROPRIETARY) LIMITED
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 R	2002 R
REVENUE	2	13,634,803	20,851,688
Operating expenses		<u>13,228,577</u>	<u>19,535,134</u>
OPERATING PROFIT	3	406,226	1,316,554
Interest received		180,813	126,009
Finance costs		<u>1,372</u>	<u>724</u>
NET PROFIT BEFORE TAXATION		585,667	1,441,839
Taxation	4	<u>727,245</u>	<u>466,317</u>
NET (LOSS)/PROFIT FOR THE YEAR		<u><u>(141,578)</u></u>	<u><u>975,522</u></u>

SANIP (PROPRIETARY) LIMITED
BALANCE SHEET AT 31 DECEMBER 2003

	Note	2003 R	2002 R
ASSETS			
Non-current assets		401,315	2,022,167
Property, plant and equipment	5	401,315	1,047,167
Loans Receivable	6	-	975,000
Current assets		8,941,288	6,979,916
Trade and other receivables		745,260	4,558,352
Bank balances and cash		8,196,028	2,421,564
Total assets		<u>9,342,603</u>	<u>9,002,083</u>
EQUITY AND LIABILITIES			
Capital and Reserves		2,012,464	2,154,042
Share capital	7	200,000	200,000
Accumulated profit		1,812,464	1,954,042
Current liabilities		7,330,139	6,848,041
Amounts owing to group companies	8	5,893,840	5,893,840
Trade and other payables		653,268	491,404
Taxation		510,591	351,292
Provisions		272,440	111,505
Total equity and liabilities		<u>9,342,603</u>	<u>9,002,083</u>

**SANIP (PROPRIETARY) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	2003 R	2002 R
CASH FLOWS FROM OPERATING ACTIVITIES		5,043,169	(161,244)
Cash receipts from customers		18,220,684	10,018,302
Cash paid to suppliers and employees		12,789,010	10,013,546
Cash generated by operating activities	11.1	5,431,674	4,756
Interest received		180,813	126,009
Finance costs		(1,372)	(724)
Taxation paid	11.2	(567,946)	(291,285)
CASH FLOWS FROM INVESTING ACTIVITIES		731,295	(1,861,007)
Investment to maintain operations			
Replacement of property, plant and equipment		(243,705)	(693,765)
Investment to expand operations			
Additions to property, plant and equipment		-	(192,242)
Loans repaid/(advanced)		975,000	(975,000)
CASH FLOWS FROM FINANCING ACTIVITIES		-	4,000,000
Long term loans raised		-	4,000,000
Net increase in cash and cash equivalents		5,774,464	1,977,749
Cash and cash equivalents at the beginning of the year	11.3	2,421,564	443,815
Cash and cash equivalents at the end of the year		8,196,028	2,421,564

**SANIP (PROPRIETARY) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Share capital R	Accumulated profit R	Total R
Balance at 01 January 2002	200,000	978,520	1,178,520
Net profit for the year		975,522	975,522
Balance at 01 January 2003	200,000	1,954,042	2,154,042
Net loss for the year		(141,578)	(141,578)
Balance at 31 December 2003	200,000	1,812,464	2,012,464

SANIP (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2003

1. ACCOUNTING POLICIES

The financial statements set out on pages 3 to 13 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 BAE Systems (Gripen Overseas) Limited.

SANIP (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2003

	2003 R	2002 R
3. OPERATING PROFIT		
The operating profit is stated after:		
Expenses		
Auditors' remuneration	93,815	82,660
- audit fee	85,565	54,000
- prior year under-provision	8,250	12,060
- other services	-	16,600
Depreciation	389,561	252,365
- on owned assets		
- Motor vehicles	164,184	81,207
- Furniture and fittings	38,489	37,033
- Office equipment	21,456	19,005
- Computer equipment	100,675	75,550
- Computer software	64,757	39,570
Staff costs		
- salaries and wages	4,402,493	4,046,607
The client employs 14 people.		
Operating lease expense	1,682,879	943,842
- Equipment	563,196	-
- premises	1,119,683	943,842
4. TAXATION		
South African normal tax		
- Current tax	727,245	466,317
Reconciliation of tax rate	%	%
Standard tax rate	30.00	30.00
Adjusted for:		
Disallowable expenditure	94.17	1.00
Prior year adjustments	-	1.34
Effective tax rate	124.17	32.34

SANIP (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2003

5. PROPERTY, PLANT AND EQUIPMENT

	2003			2002		
	Cost / valuation	Accumulated depreciation	Carrying value	Cost / valuation	Accumulated depreciation	Carrying value
<i>Owned assets</i>						
Motor vehicles	607,657	206,342	401,315	840,307	224,400	615,907
Furniture and fittings	245,565	245,565	-	245,565	71,466	174,099
Office equipment	132,024	132,024	-	132,024	35,678	96,346
Computer equipment	266,164	266,164	-	266,164	136,417	129,747
Computer software	85,450	85,450	-	85,450	54,382	31,068
	<u>1,336,860</u>	<u>935,545</u>	<u>401,315</u>	<u>1,569,510</u>	<u>522,343</u>	<u>1,047,167</u>

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

	Carrying value at beginning of year	Additions	Impairment	Depreciation	Carrying value at end of year
<i>Owned assets</i>					
Motor vehicles	615,907	-	(50,408)	(164,184)	401,315
Furniture and fittings	174,099	11,485	(147,095)	(38,489)	-
Office equipment	96,346	21,341	(96,231)	(21,456)	-
Computer equipment	129,747	117,392	(146,464)	(100,675)	-
Computer software	31,068	93,487	(59,798)	(64,757)	-
	<u>1,047,167</u>	<u>243,705</u>	<u>(499,996)</u>	<u>(389,561)</u>	<u>401,315</u>

SANIP (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2003

	2003 R	2002 R
6. LOANS RECEIVABLE		
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>-</u>	<u>975,000</u>
7. SHARE CAPITAL		
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>
8. GROUP COMPANIES		
Loan from holding company: - SAAB International AB	<u>5,893,840</u>	<u>5,893,840</u>
The loan is unsecured, interest free and is repayable on demand.		
9. FINANCIAL INSTRUMENTS		
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 2003

10. RELATED PARTIES

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

Amounts owing to group companies are set out in note 8.

11. NOTES TO THE CASH FLOW STATEMENT

11.1 Reconciliation of net profit before taxation to cash generated by operations

	2003 R	2002 R
Net profit before taxation	585,667	1,441,839
Adjustments:		
Depreciation and amortisation	389,561	252,365
Impairment charge		
Interest received	(180,813)	(126,009)
Finance costs	1,372	724
Increase in provision for warranties	160,935	111,505
Other non-cash items - write off of motor vehicles	50,408	-
	<u>1,456,718</u>	<u>1,680,424</u>
Decrease/(increase) in working capital	3,974,956	(1,675,668)
Decrease/(increase) in accounts receivable	3,813,092	(1,764,396)
Increase in accounts payable	161,864	88,728
	<u>5,431,674</u>	<u>4,756</u>
	2003 R	2002 R

11.2 Taxation paid

Amount owing at the beginning of the year	(351,292)	(176,260)
Amount charged to the income statement excluding deferred taxation	(727,245)	(466,317)
Amounts owing at the end of the year	510,591	351,292
	<u>(567,946)</u>	<u>(291,285)</u>

SANIP (PROPRIETARY) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
AT 31 DECEMBER 2003

11.3 Cash and cash equivalents

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

Bank balances and cash

8,196,028

2,421,564

**SANIP (PROPRIETARY) LIMITED
 DETAILED INCOME STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2003**

	Page	2003 R	2002 R
REVENUE		13,634,803	20,851,688
OTHER INCOME		2,617,037	126,009
Interest received		180,813	126,009
Sundry income		2,436,224	-
		<u>16,251,840</u>	<u>20,977,697</u>
EXPENSES	17	<u>15,666,173</u>	<u>19,535,858</u>
PROFIT BEFORE TAXATION		<u>585,667</u>	<u>1,441,839</u>

SANIP (PROPRIETARY) LIMITED
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	R	R
Accounting fees	64,200	140,940
Advertising	7,043	-
Auditors remuneration	93,815	82,660
Bank charges	15,657	23,893
Computer expenses	247,537	320,702
Conferences	9,493	19,967
Consulting fees	2,197,135	7,464,798
Freight Charges	457	-
Consumables	23,910	13,248
Depreciation	389,561	252,365
Donations	19,368	15,000
Electricity and water	22,846	-
Entertainment	297,543	355,534
Fines and penalties	5,048	1,046
General expenses	213,031	157,954
Insurance	118,034	97,550
Interest	1,372	724
Legal expenses	148,181	407,331
Motor vehicle expenses	76,772	130,281
Office expenses	901	10,090
Impairment - Office Equipment	96,230	-
Impairment - Furniture & Fittings	147,095	-
Impairment - Computer Software	59,799	-
Moving expenses	-	170,609
Administration and Management Costs	37,500	-
Loan Receivable Write off	990,646	-
Fines	300	-
Assets Expensed	16,444	-
Impairment - Computer Equipment	146,464	-
Impairment - Motor Vehicles	50,409	-
Recruitment fees	30,780	396,805
Land & Buildings Adjustment	162,495	-
Printing and stationery	100,301	104,492
Regional Services Council levies	74,294	32,731
Rental of equipment	563,196	486,592
Rental of premises	1,119,683	1,251,681
Repairs and maintenance	34,917	12,801
Staff Loans write off	27,423	-
Rental Deposit - write off	33,809	-
Salaries	4,402,493	4,046,607
Security	72,307	86,165
Staff training and welfare	50,071	130,833
Subscriptions	83,773	23,184

**SANIP (PROPRIETARY) LIMITED
DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2003**

	2003	2002
	R	R
Telephone	472,897	424,413
Transport and freight	24,221	21,096
Travel - local	791,665	448,626
Travel - overseas	2,125,057	2,405,140
EXPENSES	<u>15,666,173</u>	<u>19,535,858</u>