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CUSTOM MICRO PRODUCTS LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JANUARY 1998



COMPANY NO 1015185 (ENGLAND AND WALES)

CUSTOM MICRO PRODUCTS LIMITED

Company Information

DIRECTORS:

A G Witts
L Maynard
L Day
A L Wardlow

SECRETARY:

P A Bones

REGISTERED OFFICE:

Curzon Court
58 Commercial Road
Lower Parkstone
Poole
Dorset BH14 OJT

BANKERS:

Midland Bank Plc
242 High Street
Longfleet
Poole
Dorsets BH15 1DZ

Lloyds Bank Plc
101 High Street
Poole
Dorset BH15 1AJ

AUDITORS:

Messrs Day, Thomas & Co
Registered Auditors
Curzon Court
58 Commercial Road
Lower Parkstone
Poole
Dorset BH14 OJT

CUSTOM MICRO PRODUCTS LIMITED
DIRECTORS REPORT FOR THE YEAR ENDED 31 JANUARY 1998

The Directors present their Annual Report and Financial Statements for the year ended 31 January 1998.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 profit or loss of the company 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 ;
- prepare the Financial Statements on the going 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPLE ACTIVITIES

The company's principle activity continued to be the supply of electronic and electrical components and related services.

DIRECTORS

The Directors who served during the year and their beneficial interests in the company's issued Ordinary Share Capital were:-

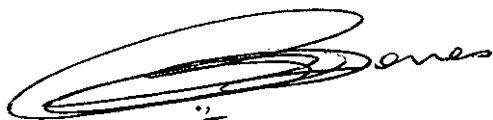
	<u>31.1.98</u>	<u>31.1.97</u>
A G Witts	3,340	2,795
L J Maynard	960	860
T Rance - Resigned 1 December 1997	-	216
G J Cousins - Resigned 21 November 1997	-	429
A L Wardlow	-	-
L J Day	-	-
	<u>4,300</u>	<u>4,300</u>

AUDITORS

The auditors, Messrs Day, Thomas & Co will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

SMALL COMPANY

The Directors have taken advantage, in the preparation of these Financial Statements, of special exemptions applications applicable to small companies under Schedule 8 Part 1 of the Companies Act 1985, on the grounds that, in the opinion of the Directors, the company qualifies as a small company and is entitled to make use of the special exemptions. The Financial Statements were approved by the Board on 10 November 1998 and signed on its behalf.



.....
P. A. Bones
Company Secretary

10 November 1998

CUSTOM MICRO PRODUCTS LIMITED
AUDITORS' REPORT TO THE SHAREHOLDERS OF
CUSTOM MICRO PRODUCTS LIMITED

We have audited the Financial Statements on pages 3 to 7, which have been prepared under the historical cost convention and the accounting policies set out on page 5.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

As described on page 1, the company's Directors are responsible for the preparation of Financial Statements. It is our responsibility to form an independent opinion, based on our audit, on those Statements and to report our opinion to you.

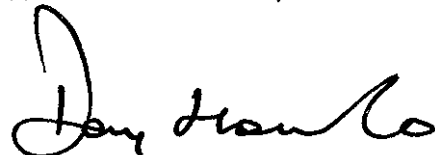
BASIS OF OPINION

We conducted our audit in accordance with 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 company'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 significant 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 the company's affairs as at 31 January 1998 and of its profit for the year then ended, and have been properly prepared in accordance with the provisions of the Companies Act 1985, applicable to small companies.



Day, Thomas & Co
Registered Auditors
Curzon Court
58 Commercial Road
Lower Parkstone
Poole
Dorset BH14 0JT

10 November 1998

CUSTOM MICRO PRODUCTS LIMITED

BALANCE SHEET
AS AT 31 JANUARY 1998

	Notes	31.1.98 £	31.1.97 £
FIXED ASSETS	3	147,089	105,288
CURRENT ASSETS			
Stock	1	409,068	435,368
Debtors		458,350	410,872
Cash and Bank Balance		794	26,331
		<u>868,212</u>	<u>872,571</u>
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors		306,095	375,463
Hire purchase		31,015	11,843
Taxation	5	9,190	15,001
Bank overdraft	6	<u>164,489</u>	<u>128,322</u>
		<u>510,789</u>	<u>530,629</u>
NET CURRENT ASSETS		<u>357,423</u>	<u>341,942</u>
		504,512	447,230
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR			
Hire purchase creditor		53,045	9,183
Long term loan accounts	7	<u>243,408</u>	<u>271,809</u>
		<u>296,453</u>	<u>280,992</u>
NET ASSETS		<u>£208,059</u>	<u>£166,238</u>
Represented by			
CAPITAL AND RESERVES			
Share capital	2	4,300	4,300
Reserves: Profit and loss account		<u>203,759</u>	<u>161,938</u>
SHAREHOLDERS FUNDS		<u>£208,059</u>	<u>£166,238</u>

The Directors have taken advantage of the exemptions conferred by Schedule 8 of the Companies Act 1985, and have done so on the grounds that the company is entitled to those exemptions as a small company.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS

10 November 1998

A G WITTS



**CUSTOM MICRO PRODUCTS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 JANUARY 1998**

	Notes	31.1.98 £	31.1.97 £
TURNOVER		2,206,141	2,001,157
Cost of sales		<u>1,209,476</u>	<u>1,059,941</u>
GROSS PROFIT		996,665	941,216
Overheads		<u>946,568</u>	<u>899,847</u>
OPERATING PROFIT		50,097	41,369
Other income		<u>0</u>	<u>0</u>
PROFIT BEFORE TAXATION		50,097	41,369
Taxation	5	<u>8,276</u>	<u>15,001</u>
PROFIT AFTER TAXATION	4	41,821	26,368
Retained profit brought forward		161,938	135,570
RETAINED PROFIT CARRIED FORWARD		<u><u>£203,759</u></u>	<u><u>£161,938</u></u>

The company has no recognised gains or losses other than the profits for the two years ended 31 January 1998.

The notes on pages 5, 6 and 7 form part of these accounts.

**CUSTOM MICRO PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 JANUARY 1998**

1/ ACCOUNTING POLICIES**a) Basis of Accounting**

The Financial Statements have been prepared under the historical cost convention and incorporate the results of the principal activity, which is described in the Director's Report and which is continuing.

b) Cash Flow Statement

The Company has taken advantage of the exemption in Financial Reporting Statement No 1, from the requirement to produce a cashflow statement on the grounds that it is a small company.

c) Turnover

Turnover represents the total income receivable in the ordinary course of business, excluding VAT and after deductions of trade discounts. The percentage of turnover exported out of the UK was 39% (1997 46%).

d) Stock and Work in Progress

Stock has been valued at the lower of cost or estimated net realisable value.

e) Tangible Assets and Depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets over their expected useful lives on the following basis:-

	<u>31.1.98 and 31.1.97</u>
Plant and Machinery	Straight line over three years
Fixtures and fittings	Straight Line over six years
Motor Vehicles	Reducing Balance 25% per annum
Lease on Building	Reducing Balance 5% per annum

f) Deferred Taxation

No provision has been made for deferred taxation as the Directors have taken the view that deferred taxation arising from timing differences on capital allowances is unlikely to become payable in the foreseeable future.

2/ CALLED UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
Authorised: Ordinary Shares of £1 each	<u>£10,000</u>	<u>£10,000</u>
Called Up Share Capital and Fully Paid: Ordinary Shares of £1 each	<u>£4,300</u>	<u>£4,300</u>

CUSTOM MICRO PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 JANUARY 1998

3/ FIXED ASSETS

	Lease	Equipment	Furniture & Fittings	Motor Vehicles	Total
Cost					
1 February 1997	60,000	165,508	43,493	83,234	352,235
Additions		29,401		54,360	83,761
Disposals		-30,000		-15,572	-45,572
31 January 1998	<u>£60,000</u>	<u>£164,909</u>	<u>£43,493</u>	<u>£122,022</u>	<u>£390,424</u>
Depreciation					
1 February 1997	13,574	146,462	38,746	48,165	246,947
Charge for the year	2,321	16,959	2,432	8,681	30,393
Disposals		-30,000		-4,005	-34,005
31 January 1998	<u>£15,895</u>	<u>£133,421</u>	<u>£41,178</u>	<u>£52,841</u>	<u>£243,335</u>
Net Book Value					
1 February 1997	<u>£46,426</u>	<u>£19,046</u>	<u>£4,747</u>	<u>£35,069</u>	<u>£105,288</u>
31 January 1998	<u>£44,105</u>	<u>£31,488</u>	<u>£2,315</u>	<u>£69,181</u>	<u>£147,089</u>

4/ PROFIT AFTER TAXATION

The profit after taxation for the year was as follows:-

	31.1.98	31.1.97
Profit after taxation :	<u>£41,821</u>	<u>£26,368</u>
After charging the following amounts:		
	31.1.98	31.1.97
	£	£
Directors Remuneration	150,250	160,917
Depreciation	35,993	48,238
Auditors Remuneration	<u>2,200</u>	<u>2,000</u>

CUSTOM MICRO PRODUCTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED 31 JANUARY 1998

5/ TAXATION

The tax charge for the year of £9,190 is based on corporation tax on the profit for the year.

Tax Charge for year	£9,190
Less Over provision in previous year	(914)
	<u>£8,276</u>

6/ BANK OVERDRAFT

The overdraft is secured by fixed and floating charges over the assets of the company, together with the charge over the lease at 450 Blandford Road, Hamworthy. The company has entered in to the Government Loan Guarantee Scheme, and this scheme covers £85,000 of the facility at 31 January 1998.

7/ ANALYSIS OF LONG TERM LOANS

	1998	1997
	£	£
Directors loan accounts	17,872	56,100
Loan from Custom Fund Pension Scheme, repayable 28 February 2002	50,000	-
Loan from Custom Fund Pension Scheme, repayable 13 February 2000	30,000	30,000
Ten year loan from Midland Bank Plc, repayable by 23 August 2003	60,536	70,709
Five year loan from Midland Bank Plc, repayable by 23 November 2000	85,000	115,000
	<u>£243,408</u>	<u>£271,809</u>