

Compstock Electronics Limited

Directors' report and financial statements

31 March 2000

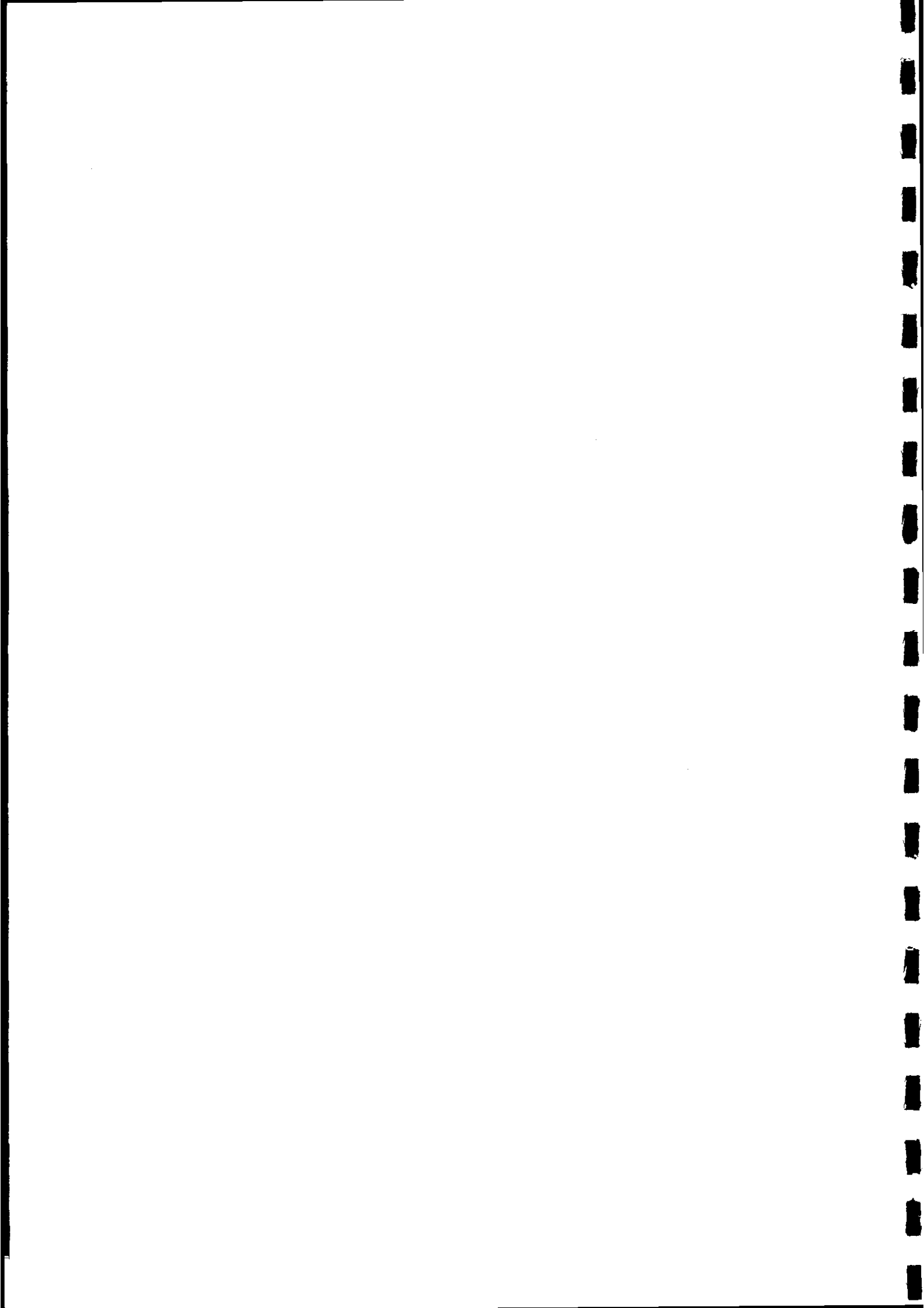
Registered number 1208652



Compstock Electronics Limited

Directors' report and financial statements

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Compstock Electronics Limited

Directors' report

The directors present their annual report and the audited financial statements for the 15 month period ended 31 March 2000.

Principal activities

The principal activity of the company continues to be the sale and distribution of electronic components.

Business review

The results for the period are shown in the profit and loss account on page 5. On 2 July 1999, the company acquired the assets and liabilities of Flightspares Electronics Limited, a fellow group undertaking. These assets and liabilities related to the distribution of AMP connectors.

Dividend and transfer to reserves

During the period a final dividend of £1.78 per ordinary share was paid (1998: £3.57 per ordinary share).

The transfer to reserves is a profit of £789 (1998: £254,672 loss).

Directors and directors' interests

The directors who held office during the period were as follows:

CJ Snowdon	(Chairman)	appointed 30 June 1999
RJK Beaumont		appointed 30 June 1999
W McKnight	(Managing Director)	
M Lee	(Finance Director)	
P Green	(Marketing Director)	appointed 1 January 2000
D Hart	(Sales Director)	appointed 1 January 2000
P Long	(Operations Director)	appointed 1 January 2000
M Liddle		resigned 30 June 1999

The directors who held office at the end of the financial period had the following interests in the ordinary shares of the parent company, as recorded in the register of directors' share and debenture interests.

	Interest at end of period		Interest at beginning of period	
	Shares	SAYE Options	Shares	SAYE Options
D Hart	-	236	-	-
M Lee	-	1,578	-	-
P Long	-	236	-	-
W McKnight	-	1,578	-	-

The interests of CJ Snowdon and RJK Beaumont in the shares of the ultimate holding company, UMECO plc, are disclosed in the directors' report of that company. No director had any disclosable interest in the shares of the company.

Compstock Electronics Limited

Directors' report (continued)

Euro

The Company continues to transact business in a variety of foreign currencies. No additional issues or costs have therefore arisen following the adoption of the Euro by certain European countries.

By order of the board

Steven J. Bowers.

SJ Bowers

Secretary

Concorde House
24 Warwick New Road
Leamington Spa
Warwickshire
CV32 5JG

22 January 2001

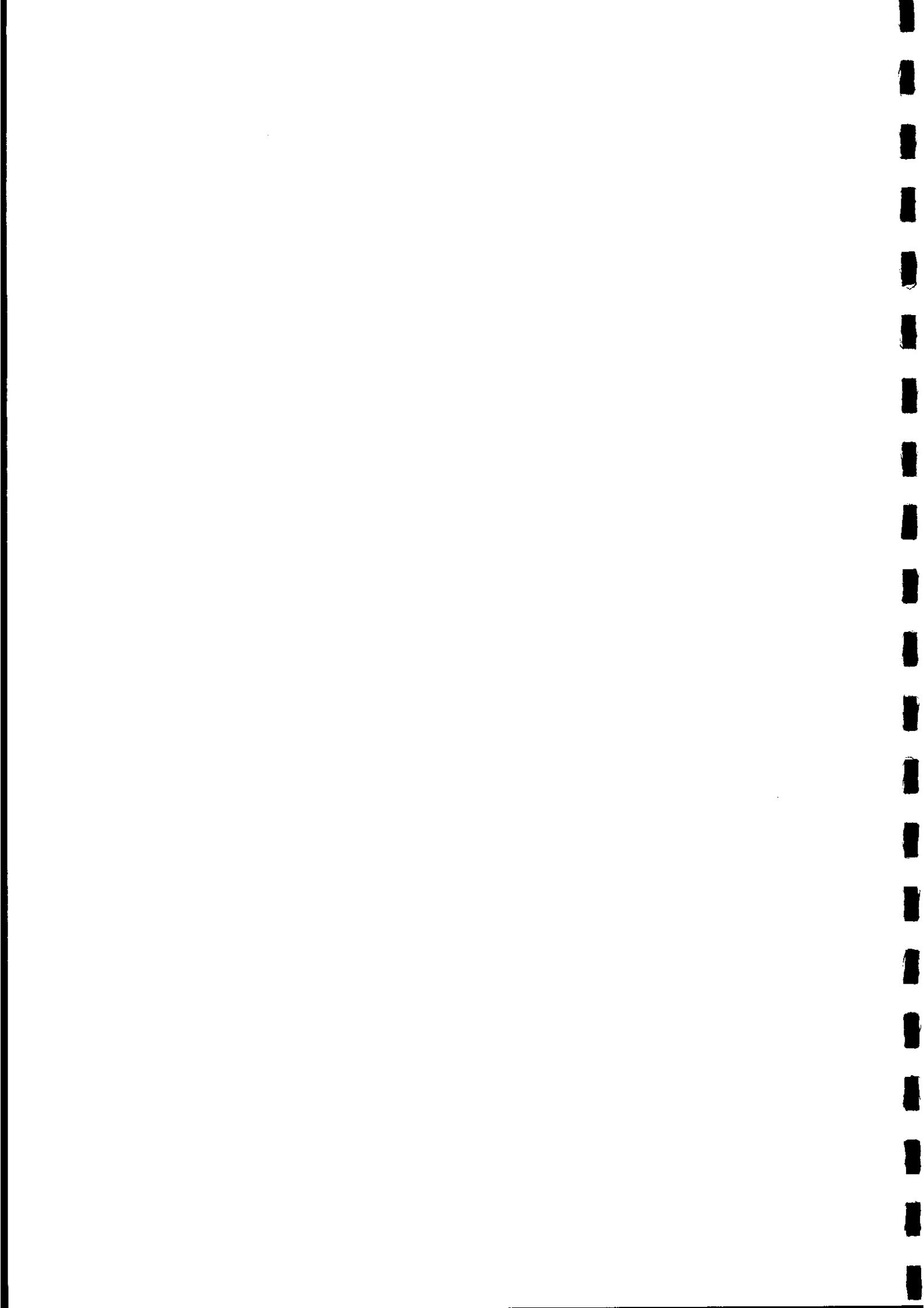
Compstock Electronics Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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.



KPMG

37 Hills Road
Cambridge
CB2 1XL

Report of the auditors to the members of Compstock Electronics Limited.

We have audited the financial statements on pages 5 to 16 in accordance with Auditing Standards.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the director's report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, and if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

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 sufficient 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 at 31 March 2000 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
Cambridge



22 January 2001
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Compstock Electronics Limited

Profit and loss account

for the 15 months ended 31 March 2000

	Note	2000 £	1998 <i>As restated</i> £
Turnover	2	10,808,963	5,926,484
Cost of sales		(8,186,085)	(4,185,289)
Gross profit		2,622,878	1,741,195
Administrative expenses		(1,957,793)	(1,144,870)
Distribution expenses		(407,512)	(210,588)
Operating profit		257,573	385,737
Other interest receivable and similar income	6	3,603	-
Interest payable and similar charges	7	(19,701)	(16,612)
Profit on ordinary activities before taxation	3	241,475	369,125
Tax on profit on ordinary activities	8	9,314	(123,797)
Profit after tax		250,789	245,328
Dividends paid	9	(250,000)	(500,000)
Retained profit/(loss) for the period		789	(254,672)
Retained profit brought forward		254,765	509,437
Retained profit carried forward		255,554	254,765

In both the current and preceding periods, the company had no material acquisitions and had no discontinued activities.

Compstock Electronics Limited

Balance sheet at 31 March 2000

	Note	2000		1998	
		£	£	<i>As restated</i>	
				£	£
Fixed assets					
Tangible assets	10	407,659		412,211	
Investments	11	26,793		26,793	
		<u>434,452</u>		<u>439,004</u>	
Current assets					
Stocks	12	1,476,257		1,358,436	
Debtors	13	2,803,475		1,530,053	
Cash at bank and in hand		550,886		11,649	
		<u>4,830,618</u>		<u>2,900,138</u>	
Creditors falling due within one year	14	(2,587,607)		(2,348,518)	
Net current assets		<u>2,243,011</u>		<u>551,620</u>	
Total assets less current liabilities		<u>2,677,463</u>		<u>990,624</u>	
Creditors falling due after more than one year	15	(1,381,909)		(95,600)	
Provisions for liabilities and charges	16	-		(259)	
Net assets		<u><u>1,295,554</u></u>		<u><u>894,765</u></u>	
Capital and reserves					
Called up share capital	17	640,100		640,000	
Share premium account		399,900		-	
Profit and loss account		255,554		254,765	
Equity shareholders' funds	18	<u><u>1,295,554</u></u>		<u><u>894,765</u></u>	

These financial statements were approved by the board of directors on 22 January 2001 and were signed on its behalf by:



CJ Snowdon
Director

Compstock Electronics Limited

Statement of total recognised gains and losses *for the 15 months ended 31 March 2000*

	<i>Note</i>	2000 £	1998 £
Retained profit/(loss) for the financial period	<i>18</i>	789	(254,672)
Total recognised gains and losses relating to the period		<u>789</u>	<u>(254,672)</u>
Prior year adjustment	<i>18</i>	-	(269,875)
Total recognised gains and losses since last report		<u><u>789</u></u>	<u><u>(524,547)</u></u>

Compstock Electronics Limited

Notes (forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

In accordance with FRS 1 (revised), a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary of a company which presents a consolidated cash flow statement in its accounts.

The company is exempt by virtue of section 228 of the Companies Act 1985 from requirement to prepare group accounts. These financial statements present the information about the company as an individual undertaking and not about its group.

In accordance with FRS 8, the company is exempt from disclosure of transactions with the parent company and fellow subsidiaries, as the company is wholly owned and consolidated accounts are prepared.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold premises	-	2% per annum
Plant and machinery	-	10 & 25% per annum
Office furniture and equipment	-	10 & 25% per annum
Computers	-	33% per annum
Motor vehicles	-	25% per annum

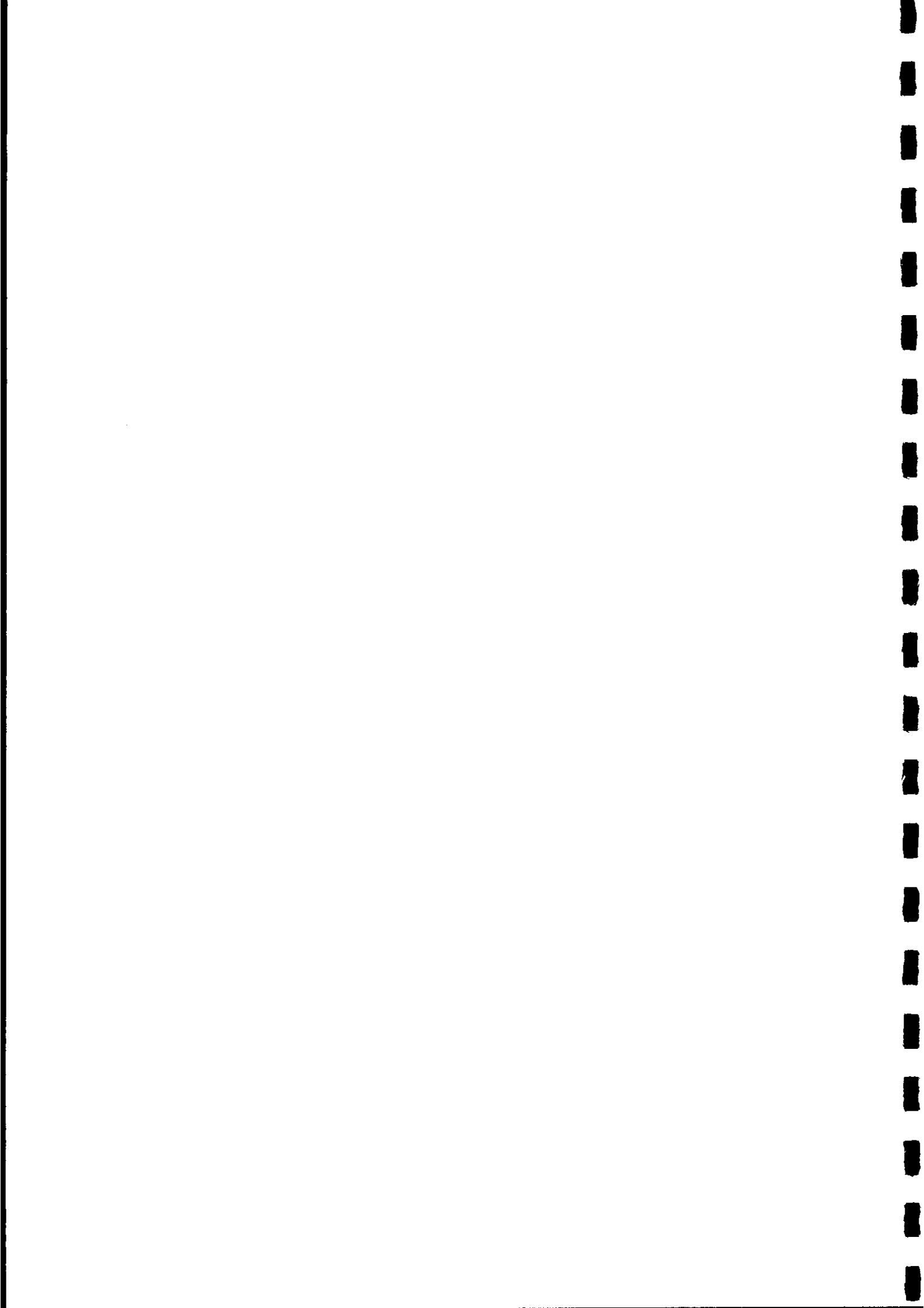
Foreign Currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.



Compstock Electronics Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company is a member of the group's defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

The turnover and pre-tax profit is attributable to the sale and distribution of electronic components.

Analysis of turnover by geographical market

	2000 £	1998 £
United Kingdom	9,899,909	5,850,947
Europe	865,330	9,785
Middle East	7,935	521
North America	25,743	6,870
Rest of the World	10,046	58,361
	<u>10,808,963</u>	<u>5,926,484</u>

Compstock Electronics Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	2000 £	1998 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - as auditors	22,000	11,000
Depreciation of tangible fixed assets		
- owned	53,888	45,185
- hire purchase	60,161	48,129
Rentals payable under operating leases		
- land and buildings	71,884	16,500
- other assets	81,411	53,166
Parent company management charges	90,000	-

4 Remuneration of directors

	2000 £	1998 £
Directors' emoluments:		
Remuneration as executives	305,666	107,067

The directors remuneration includes contributions to defined benefit and defined contribution pension schemes totalling £17,000 (1998: £7,476). Retirement benefits accrued to 5 directors under defined benefit and defined contribution schemes (1998: 2 under defined benefit schemes).

The remuneration of the highest paid director was £93,000 (1998: £49,500) and contributions to defined benefit and defined contribution pension schemes of £6,000 (1998: £3,600) were made on his behalf.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the period, analysed by category, was as follows:

	2000 Number of employees	1998 Number of employees
Office, management and distribution	58	40

The aggregate payroll costs of these persons were as follows:

	2000 £	1998 £
Wages and salaries	1,088,329	574,466
Social security costs	91,160	49,891
Other pension costs	40,272	27,775
	1,219,761	652,132

Compstock Electronics Limited

Notes (continued)

6 Other interest receivable and similar income

	2000 £	1998 £
Receivable from other group undertakings	3,603	-

7 Interest payable and similar charges

	2000 £	1998 £
On bank loans and overdrafts wholly repayable within five years	7,435	6,800
Finance charges payable in respect of finance leases and hire purchase contracts	12,266	9,812
	<u>19,701</u>	<u>16,612</u>

8 Taxation (credit)/charge

	2000 £	1998 £
UK corporation tax at 30% (1998: 31%)		
- on the profit for the period on ordinary activities	124,686	135,320
- adjustments relating to earlier periods	(134,000)	(2,201)
- deferred taxation	-	(9,322)
	<u>(9,314)</u>	<u>123,797</u>

9 Dividends

	2000 £	1998 £
Interim - £Nil per share (1998: £3.57 per share)	-	500,000
Final - £1.78 per share (1998: £Nil)	250,000	-
	<u>250,000</u>	<u>500,000</u>

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Notes (continued)

10 Tangible fixed assets

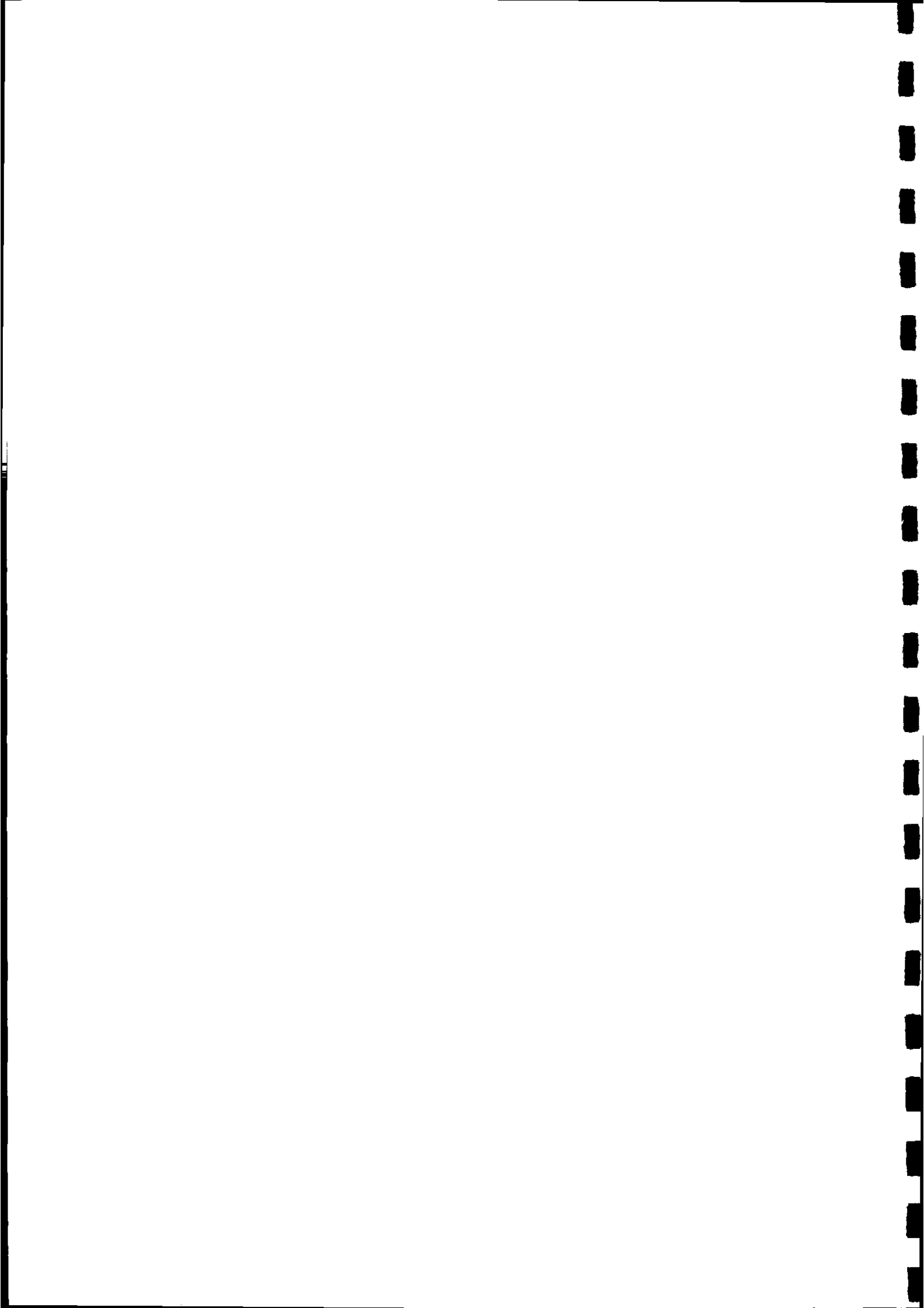
	Freehold land & buildings £	Fixtures & computers £	Motor vehicles £	Total £
<i>Cost</i>				
At start of period (as restated)	252,412	777,970	-	1,030,382
Additions	-	32,968	76,529	109,497
At end of period	<u>252,412</u>	<u>810,938</u>	<u>76,529</u>	<u>1,139,879</u>
<i>Depreciation</i>				
At start of period (as restated)	102,344	515,827	-	618,171
Charge for period	19,308	90,770	3,971	114,049
At end of period	<u>121,652</u>	<u>606,597</u>	<u>3,971</u>	<u>732,220</u>
<i>Net book value</i>				
At end of period	<u>130,760</u>	<u>204,341</u>	<u>72,558</u>	<u>407,659</u>
At start of period (as restated)	<u>150,068</u>	<u>262,143</u>	<u>-</u>	<u>412,211</u>

Net book value of tangible fixed assets at 31 March 2000 includes £174,351 (1998: £174,350) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the period on these assets was £60,161 (1998: £48,129).

11 Fixed asset investment

	Shares in group undertakings £
Cost at beginning and end of period	51,793
Provision at beginning and end of period	25,000
Net book value at beginning and end of period	<u>26,793</u>

The fixed asset investment comprises an investment in GW Stewart Holdings Limited, a company incorporated in England. The company has been dormant throughout the current and preceding periods. The investment represents 100% of the issued share capital of GW Stewart Holdings Limited.



Compstock Electronics Limited

Notes (continued)

12	Stocks	2000	1998
		£	£
	Finished goods	<u>1,476,257</u>	<u>1,358,436</u>
13	Debtors	2000	1998
		£	£
	<i>Amounts due within one year</i>		
	Trade debtors	2,345,141	1,229,768
	Amounts owed to fellow subsidiary undertakings	274,579	275,858
	Prepayments and accrued income	21,755	24,427
	Tax recoverable	162,000	-
		<u>2,803,475</u>	<u>1,530,053</u>
14	Creditors falling due within one year	2000	1998
		£	£
	Bank overdraft	-	162,565
	Trade creditors	1,760,956	903,659
	Amounts owed to ultimate parent undertaking	11,545	-
	Amounts owed fellow subsidiary undertakings	351,681	920,970
	Other creditors including tax and social security	349,617	277,715
	Accruals and deferred income	113,808	83,609
		<u>2,587,607</u>	<u>2,348,518</u>
	<i>Other creditors including tax and social security comprise:</i>		
	Corporation tax payable	202,696	135,319
	Other taxes and social security	98,798	93,797
		<u>301,494</u>	<u>229,116</u>
	Obligations under hire purchase contracts	48,123	48,599
		<u>349,617</u>	<u>277,715</u>
15	Creditors falling due after more than one year	2000	1998
		£	£
	Obligations under hire purchase contracts due within one year	27,647	95,600
	Amounts owed to ultimate parent undertaking	1,354,262	-
		<u>1,381,909</u>	<u>95,600</u>

Compstock Electronics Limited

Notes (continued)

16 Provisions for liabilities and charges

Deferred taxation

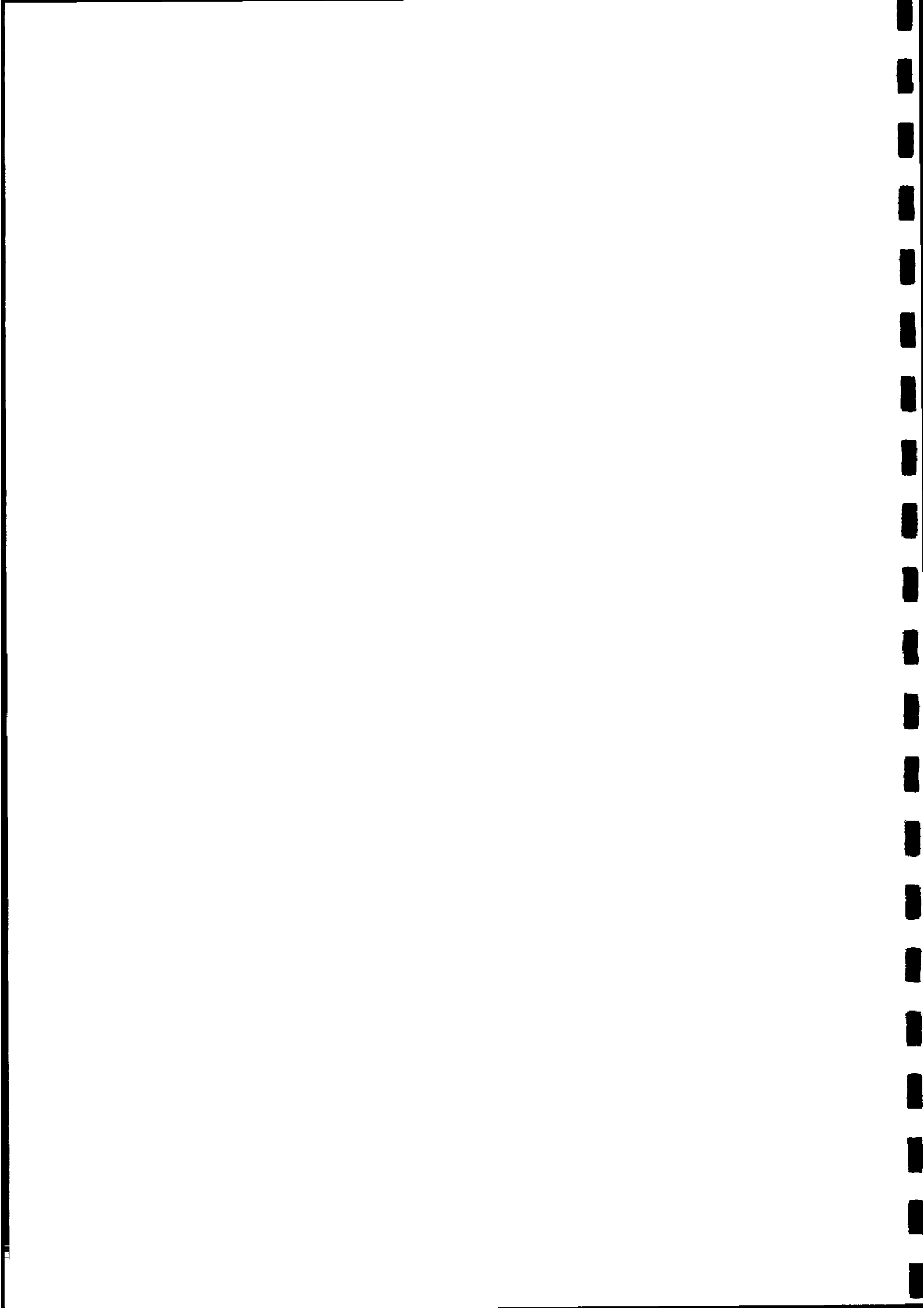
	2000 £	1998 £
At beginning of period	259	9,581
Charge for the period	-	(9,322)
Amount utilised during the period	(259)	-
At end of period	<u>-</u>	<u>259</u>

17 Share capital

	2000 £	1998 £
<i>Authorised</i>		
Equity - Ordinary shares of £1 each	140,100	140,000
Non-equity - 8.5% cumulative convertible preference shares of £1 each	300,000	300,000
Non-equity - 8.5% cumulative redeemable preference shares of £1 each	200,000	200,000
	<u>640,100</u>	<u>640,000</u>

During the year, 100 ordinary shares of £1 each were issued for a consideration of £400,000.

	2000 £	1998 £
<i>Allotted, called up and fully paid</i>		
Equity - Ordinary shares of £1 each	140,100	140,000
Non-equity - 8.5% cumulative convertible preference shares of £1 each	300,000	300,000
Non-equity - 8.5% cumulative redeemable preference shares of £1 each	200,000	200,000
	<u>640,100</u>	<u>640,000</u>



Compstock Electronics Limited

Notes (continued)

18 Movements in shareholders' funds

	2000 £	1998 £
Opening shareholders' funds – as previously stated	894,765	1,419,312
Prior period adjustment	-	(269,875)
Opening shareholders' funds – as restated	894,765	1,149,437
Profit after tax for the financial period	250,789	245,328
Dividends	(250,000)	(500,000)
Retained profit/(loss)	789	(254,672)
Share capital issued	400,000	-
Closing shareholders' funds	1,295,554	894,765

The prior period adjustment relates to the exclusion of a revaluation of freehold land and buildings, along with accumulated depreciation charged on the amount of the revaluation, made in a prior period. The adjustment brings the accounting policy of the company into line with that of the ultimate parent undertaking, which is to state all fixed assets at cost and to charge depreciation based on this value.

19 Contingent liabilities

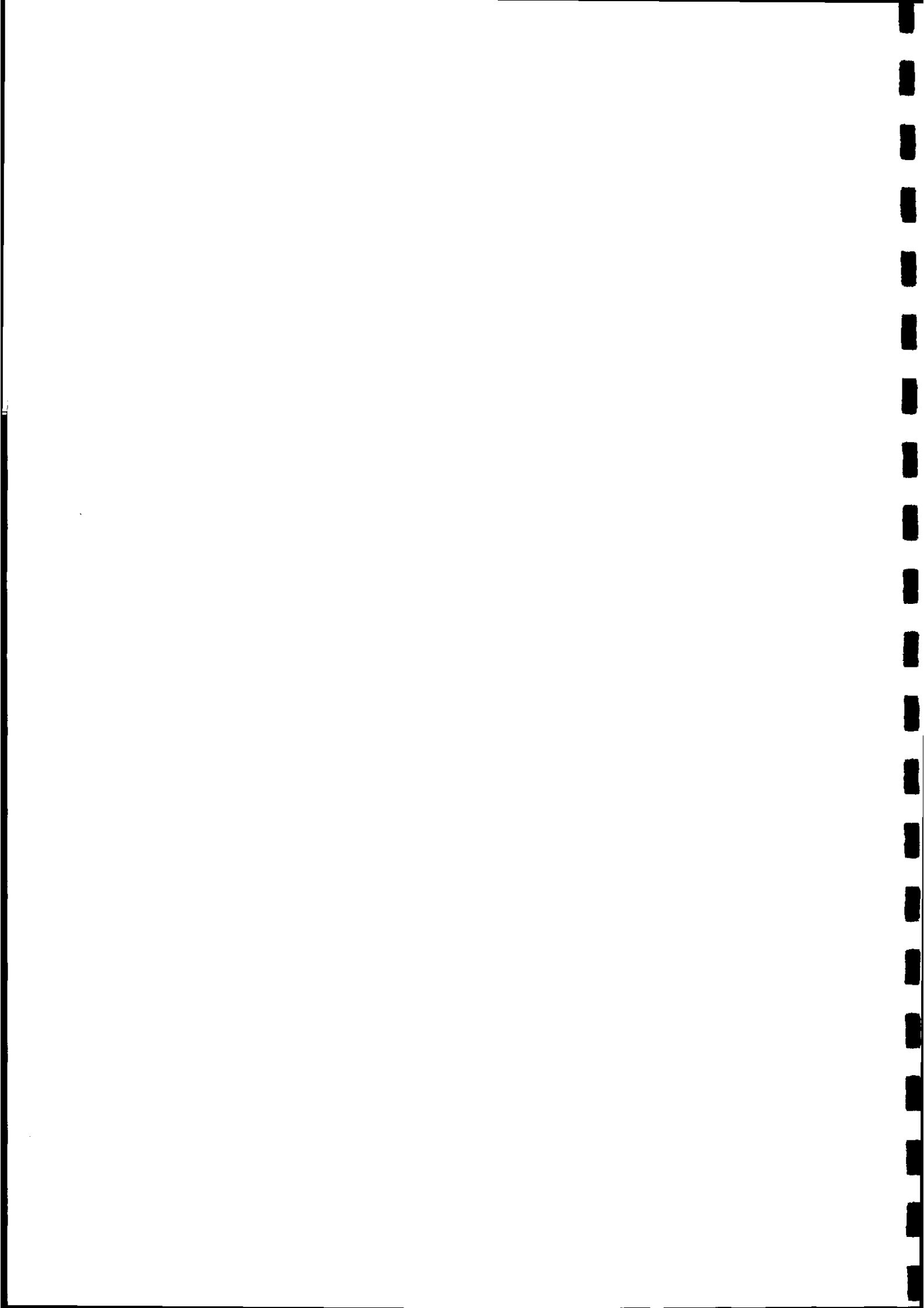
Under a group banking facility, the company is jointly and severally liable for the bank borrowings of certain other group companies. At 31 March 2000 this contingent liability amounted to £15,643,732 (1998: £Nil).

Under a group registration facility, the company is jointly and severally liable for value added tax and bank borrowings due by certain other group companies. At 31 March 2000 this contingent liability amounted to £1,190,367 (1998: £Nil). The company maintains a guarantee of £30,000 (1998: £30,000) in favour of HM Customs and Excise.

20 Commitments

- (i) Capital commitments at the end of the financial period for which no provision has been made:

	2000 £	1998 £
Contracted but not provided	27,577	-



Compstock Electronics Limited

Notes (continued)

20 Commitments (continued)

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

	2000 Land and buildings £	2000 Other £	1998 Land and buildings £	1998 Other £
Leases expiring:				
- within one year	-	25,342	-	34,553
- within two to five years	16,500	1,060	-	18,905
- after five years	-	-	16,500	-
	<u>16,500</u>	<u>26,402</u>	<u>16,500</u>	<u>53,458</u>

21 Pension schemes

Prior to the acquisition of the company by UMECO plc, the company made contributions to pension schemes operated by the former owners of the company. These schemes provided benefits based on final pensionable pay, the contributions being charged to the profit and loss accounts so as to spread the cost of the pensions over the employee's working lives with the company. The assets of the schemes were held separately from those of the former owners of the company. The contributions were determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 April 1997, which assumed that the return on investments would be 2.5% higher than the rate of annual salary increase and that present and future pensions would increase at a rate of 3% per annum. Contributions amounting to £14,391 (1998 £27,775) were paid to these schemes during the period and there were no amounts outstanding at the period end.

Subsequent to the acquisition of the company by UMECO plc, the company has operated a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund.

Contributions are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives with the company. Members of this scheme contribute between 2% and 6% of pensionable earnings, with the company making contributions of between 4% and 9%. Contributions amounting to £25,881 were paid to the fund during the period and there were no amounts outstanding at the period end.

22 Ultimate holding company

As at 31 December 1998, the ultimate holding company was TI Group plc, a company incorporated in England. On 2 July 1999, the ultimate holding company changed to UMECO plc, a company incorporated in Great Britain and registered in England and Wales.

The results of the company from 2 July 1999 are included in the consolidated accounts of UMECO plc which are available to the public and may be obtained from UMECO plc, Concorde House, 24 Warwick New Road, Leamington Spa, Warwickshire, CV32 5JG.

No other group accounts include the results of the company.

