

Compstock Electronics Limited

Directors' report and financial statements

31 March 2002

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 year ended 31 March 2002.

Principal activities

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

Business review

The results for the year are shown in the profit and loss account on page 5. A restructuring of the company's business was carried out during the year in order to reduce the operating cost base.

Dividend and transfer to reserves

During the year, dividends of £100,000 were paid (2001 : £375,000). The transfer to reserves is a profit of £111,320 (2001 as restated : £577,557).

Directors and directors' interests

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

CJ Snowdon	(Chairman)	
RJK Beaumont		
WJ McKnight	(Managing Director)	
MM Lee	(Finance Director)	
PA Green	(Marketing Director)	
DJ Hart	(Sales Director)	
PT Long	(Operations Director)	- resigned 28 October 2001

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

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme options
WJ McKnight				
At start of year	-	-	-	1,578
Granted in year	-	464	13,846	439
Rights issue effect *	-	-	-	42
Purchase of shares	701	-	-	-
At end of year	701	464	13,846	2,059

* adjusted for the effect of the 1 for 4 rights issue undertaken by UMECO during the year.

Compstock Electronics Limited

Directors' report

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme options
MM Lee				
At start of year	-	-	-	1,578
Granted in year	-	337	-	439
Rights issue effect *	-	-	-	42
Purchase of shares	969	-	-	-
At end of year	969	337	-	2,059
DJ Hart				
At start of year	-	-	-	236
Granted in year	-	284	-	175
Rights issue effect *	-	-	-	7
Purchase of shares	184	-	-	-
At end of year	184	284	-	418

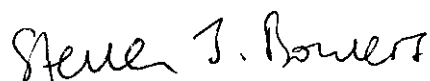
* adjusted for the effect of the 1 for 4 rights issue undertaken by UMECO during the year.

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.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



SJ Bowers
Secretary

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

6 June 2002

Compstock Electronics Limited

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 year. 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.

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

We have audited the financial statements on pages 5 to 18 in accordance with Auditing Standards.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' 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 1985. We also report to you, if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit 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 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc
Chartered Accountants
Registered Auditor
Birmingham

6 June 2002

Compstock Electronics Limited

Profit and loss account

for the year ended 31 March 2002

	Note	2002 £	2001 As restated £
Turnover	2	11,383,556	12,475,791
Cost of sales			
– including exceptional costs of £50,000 (2001: £nil)	3	(8,565,816)	(8,851,851)
Gross profit		2,817,740	3,623,940
Administrative expenses			
– including exceptional costs of £46,651 (2001: £nil)	3	(2,279,795)	(2,034,366)
Distribution expenses		(373,773)	(375,529)
Operating profit		164,172	1,214,045
Exceptional profit on disposal of fixed asset property		-	184,824
Profit before interest		164,172	1,398,869
Other interest receivable and similar income	6	22,068	23,637
Interest payable and similar charges	7	(7,359)	(9,812)
Profit on ordinary activities before taxation	3	178,881	1,412,694
Tax on profit on ordinary activities	8	32,439	(460,137)
Profit after tax		211,320	952,557
Dividends paid	9	(100,000)	(375,000)
Retained profit for the period		111,320	577,557
Retained profit brought forward		846,588	269,031
Retained profit carried forward		957,908	846,588

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

Compstock Electronics Limited

Balance sheet as at 31 March 2002.

	Note	2002		2001	
		£	£	<i>As restated</i>	
				£	£
Fixed assets					
Tangible assets	10		478,357		527,885
Investments	11		26,793		26,793
			<u>505,150</u>		<u>554,678</u>
Current assets					
Stocks	12	1,537,714		1,607,034	
Debtors	13	2,328,089		3,298,411	
Cash at bank and in hand		1,066,044		672,436	
		<u>4,931,847</u>		<u>5,577,881</u>	
Creditors falling due within one year	14	(2,084,827)		(2,891,709)	
		<u>2,847,020</u>		<u>2,686,172</u>	
Net current assets					
			<u>3,352,170</u>		<u>3,240,850</u>
Total assets less current liabilities					
Creditors falling due after more than one year	15	(1,354,262)		(1,354,262)	
		<u>1,997,908</u>		<u>1,886,588</u>	
Net assets					
Capital and reserves					
Called up share capital	17	640,100		640,100	
Share premium account		399,900		399,900	
Profit and loss account		957,908		846,588	
		<u>1,997,908</u>		<u>1,886,588</u>	
Shareholders' funds	18				
<i>Analysed as:</i>					
Equity interests	17	1,497,908		1,386,588	
Non-equity interests	17	500,000		500,000	
		<u>1,997,908</u>		<u>1,886,588</u>	

These financial statements were approved by the board of directors on 6 June 2002 and were signed on its behalf by:

Alice Snowden

CJ Snowden
Director

Compstock Electronics Limited

Statement of total recognised gains and losses for the year ended 31 March 2002

	<i>Note</i>	2002	2001
		£	<i>As restated</i> £
Profit for the year		211,320	952,557
Total recognised gains for the year		<u>211,320</u>	<u>952,557</u>
Prior year adjustment	<i>1, 16</i>	18,340	
Total recognised gains and losses since last annual report		<u>229,660</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. The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

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.

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 land and buildings	-	2% per annum
Leasehold premises	-	life of lease
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.

Compstock Electronics Limited

Notes (continued)

1 Accounting policies (continued)

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.

Pension costs

The company is a member of the UMECO 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 result for the period and includes full provision for taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. The implementation of FRS 19 in the preparation of these financial statements has resulted in a prior year adjustment as set out in note 16.

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

	2002 £	2001 £
United Kingdom	10,175,159	10,388,242
Rest of Europe	1,176,306	2,005,121
Middle East	7,821	3,771
North America	24,270	70,810
Rest of the World	-	7,847
	<u>11,383,556</u>	<u>12,475,791</u>

Compstock Electronics Limited

Notes (continued)

3 Profit on ordinary activities before taxation

	2002 £	2001 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration - as auditors	10,000	13,000
Depreciation of tangible fixed assets		
- assets owned	118,582	75,000
- assets held under hire purchase agreements	48,129	48,129
Loss/(profit) on disposal of fixed assets	1,294	(203,957)
Operating lease charges		
- land and buildings	121,737	78,399
- other assets	-	46,991
	<u>=====</u>	<u>=====</u>

Exceptional costs charged to cost of sales and administrative expenses comprise stock provisions and re-organisation costs incurred as a consequence of the business downturn following 11 September.

4 Remuneration of directors

	2002 £	2001 £
Directors' emoluments: remuneration as executives	261,804	257,754
	<u>=====</u>	<u>=====</u>

The directors remuneration includes contributions to a defined contribution pension scheme totalling £15,264 (2001 : £13,303). Retirement benefits accrued to 5 directors under a defined contribution scheme. The remuneration of the highest paid director was £74,631 (2001 : £70,841) and contributions to a defined contribution pension scheme of £5,496 (2001 : £3,775) 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:

	2002 Number of employees	2001 Number of employees
Office, management and distribution	58	63
	<u>=====</u>	<u>=====</u>

The aggregate payroll costs of these persons were as follows:

	2002 £	2001 £
Wages and salaries	1,263,435	1,252,294
Social security costs	106,211	103,028
Other pension costs	61,837	51,858
	<u>=====</u>	<u>=====</u>
	1,431,483	1,407,180
	<u>=====</u>	<u>=====</u>

Compstock Electronics Limited

Notes (continued)

6 Other interest receivable and similar income

	2002 £	2001 £
Receivable from other group undertakings	13,297	23,637
Other interest receivable	8,771	-
	<u>22,068</u>	<u>23,637</u>

7 Interest payable and similar charges

	2002 £	2001 £
Finance charges payable in respect of finance leases and hire purchase contracts	<u>7,359</u>	<u>9,812</u>

8 Taxation on profit on ordinary activities

	2002 £	2001 <i>As restated</i> £
UK taxation at 30% (2001 : 30%)		
- current year	94,000	465,000
- prior years	(127,469)	-
	<u>(33,469)</u>	<u>465,000</u>
Current taxation	(33,469)	465,000
Deferred taxation	1,030	(4,863)
	<u>(32,439)</u>	<u>460,137</u>

As explained in note 16, the company has implemented FRS 19 'Deferred Tax' in the preparation of these financial statements. This has resulted in the restatement of figures for the year ending 31 March 2001, with the tax charge for that year having been reduced by £4,863.

Compstock Electronics Limited

Notes (continued)

8 Taxation on profit on ordinary activities (continued)

The current tax charge for the year is below the standard rate of UK corporation tax. The reasons for this are as follows:

	2002 £	2001 £
Profit on ordinary activities before taxation	178,881	1,412,694
Profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	53,664	423,808
Effects of:		
- income and expenditure timing differences	32,666	(4,500)
- expenses not deductible for tax purposes	(2,232)	2,482
- writing down allowances in excess of depreciation	9,902	43,210
- adjustments in respect of prior years	(127,469)	-
	(33,469)	465,000

9 Dividends

	2002 £	2001 £
Interim	100,000	175,000
Final	-	200,000
	100,000	375,000

Compstock Electronics Limited

Notes (continued)

10 Tangible fixed assets

	Fixtures & computers £	Motor vehicles £	Total £
<i>Cost</i>			
At start of year	1,048,556	188,241	1,236,797
Additions	73,331	80,076	153,407
Disposals	-	(58,162)	(58,162)
At end of year	<u>1,121,887</u>	<u>210,155</u>	<u>1,332,042</u>
<i>Depreciation</i>			
At start of year	673,719	35,193	708,912
Charge	107,146	59,565	166,711
Disposals	-	(21,938)	(21,938)
At end of year	<u>780,865</u>	<u>72,820</u>	<u>853,685</u>
<i>Net book value</i>			
At end of year	<u>341,022</u>	<u>137,335</u>	<u>478,357</u>
At start of year	<u>374,837</u>	<u>153,048</u>	<u>527,885</u>

Net book value of tangible fixed assets at 31 March 2002 includes £17,932 (2001 : £126,221) in respect of assets held under finance leases and hire purchase agreements.

11 Fixed asset investment

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

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

Compstock Electronics Limited

Notes (continued)

12 Stocks

	2002 £	2001 £
Finished goods	1,537,714	1,607,034

13 Debtors

	2002 £	2001 <i>As restated</i> £
Trade debtors	1,976,543	2,969,451
Amounts owed to fellow subsidiary undertakings	275,243	274,170
Prepayments and accrued income	52,768	36,450
Tax recoverable	6,225	-
Deferred tax	17,310	18,340
	<u>2,328,089</u>	<u>3,298,411</u>

14 Creditors falling due within one year

	2002 £	2001 £
Trade creditors	1,555,765	1,950,752
Amounts owed to ultimate parent undertaking	22,853	17,393
Amounts owed fellow subsidiary undertakings	351,681	351,681
Other creditors including tax and social security	76,261	378,804
Accruals and deferred income	78,267	193,079
	<u>2,084,827</u>	<u>2,891,709</u>
<i>Other creditors including tax and social security comprise:</i>		
Corporation tax payable	-	332,679
Other taxes and social security	76,261	18,478
	<u>76,261</u>	<u>351,157</u>
Obligations under hire purchase contracts	-	27,647
	<u>76,261</u>	<u>378,804</u>

15 Creditors falling due after more than one year

	2002 £	2001 £
Amounts owed to ultimate parent undertaking	1,354,262	1,354,262

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Notes (continued)

16 Deferred tax

The company has implemented FRS 19 'Deferred Tax' in the preparation of these financial statements. FRS 19 requires full provision to be made for deferred tax assets and liabilities arising from timing differences between recognition in the financial statements and in the tax computation of the company. The cumulative effect of implementing FRS 19 has been treated as a prior year adjustment.

	2002 £	2001 <i>As restated</i> £
Opening balance - as previously reported	-	-
Prior year adjustment (see below)	18,340	13,477
Profit and loss account (charge)/credit	(1,030)	4,863
Closing balance	<u>17,310</u>	<u>18,340</u>

The prior year adjustment comprises:

	£
Increase in deferred tax debtor at 31 March 2000	13,477
Credit for the year to 31 March 2001	4,863
	<u>18,340</u>

The closing balance is analysed as follows:

	2002 £	2001 <i>As restated</i> £
Capital allowances in excess of depreciation	(17,985)	6,940
Other timing differences	35,295	11,400
	<u>17,310</u>	<u>18,340</u>

The liabilities are based upon a rate of 30% (2001 : 30%).

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Notes (continued)

17 Share capital

		2002 £	2001 £
<i>Authorised, allotted, called up and fully paid</i>			
Equity -	Ordinary shares of £1 each	140,100	140,100
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>640,100</u>

The cumulative redeemable preference shares are redeemable by the Company at par value in five annual instalments, commencing in 1992 or immediately in the event of a sale of the business or a financing. The Company may also voluntarily redeem the shares at any time. The cumulative convertible preference shares have conversion rights in the event of the sale or refinancing of the business. The conversion rate is to be determined in accordance with a formula detailed in the Articles of Association. Following conversion, the ordinary shares will rank *pari passu* with other ordinary shares in the Company.

All preference shareholders are entitled to receive a fixed cumulative dividend at the rate of 8.5% per annum on the nominal amount, however the holders of all of the preference shares have waived their entitlement to past and present dividends.

The redeemable preference shares rank ahead of the convertible preference shares as regards return of capital and payment of dividends. After repayment of their nominal value and any accrued unpaid dividend the convertible preference shares have a right of participation in the assets of the Company as though they had been converted into ordinary shares. The preference shares do not carry voting rights unless the preference dividends are in arrears or, in the case of the redeemable preference shares, any redemption instalments due have not been paid. Dividends on ordinary shares are only payable after dividends on preference shares. In the event of any distributions as a result of as winding up of the Company or other return of capital, the ordinary shareholders will be entitled, alongside the convertible preference shareholders, to the balance of any amounts after payments to the preference shareholders.

Compstock Electronics Limited

Notes (continued)

18 Movements in shareholders' funds

	2002 £	2001 £
Profit after tax for the financial period	211,320	952,557
Dividends	(100,000)	(375,000)
Net change in shareholders' funds	<u>111,320</u>	<u>577,557</u>
Opening shareholders' funds – as restated	1,886,588	1,309,031
Closing shareholders' funds	<u><u>1,997,908</u></u>	<u><u>1,886,588</u></u>

Opening shareholders' funds have been restated for the prior year adjustment. The shareholders' funds of the company were previously stated as £1,868,248 and have been restated for a prior year adjustment of £18,340.

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 2002 this contingent liability amounted to £34,617,880 (2001 : £44,217,808).

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 2002 this contingent liability amounted to £949,544 (2001 : £1,334,760). The company maintains a guarantee of £30,000 (2001 : £30,000) in favour of HM Customs and Excise.

Compstock Electronics Limited

Notes (continued)

20 Commitments

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

	2002 £	2001 £
Contracted but not provided	21,511	54,800

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

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Leases expiring:				
- within one year	-	-	-	4,622
- within two to five years	16,500	-	16,500	-
- after five years	89,752	-	89,752	-
	<u>106,252</u>	<u>-</u>	<u>106,252</u>	<u>4,622</u>

21 Pension scheme

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 £94,760 (2001 : £51,858) were paid to the fund during the period and there were no amounts outstanding at the period end (2001 : £nil).

22 Ultimate holding company

The ultimate holding company is UMECO plc, a company incorporated in Great Britain and registered in England and Wales.

The results of the company 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.