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COMPSTOCK ELECTRONICS LIMITED
REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 1987



CLARK WHITEHILL

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CLARK WHITEHILL
Chartered Accountants
25 New Square Street
London EC4A 3LN



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1987

DIRECTORS

J.S. Walker

I.R. Hawkins

J. Parkinson

appointed 14 January 1987

appointed 18 February 1987

The directors have pleasure in presenting their report and the financial statements for the year ended 31 December 1987.

PRINCIPAL ACTIVITIES

The principal activities of the group are the sale and distribution of electronic components.

RESULTS AND DIVIDEND

The results for the year are set out on page 4 of these financial statements. A dividend of £40,870 was paid in the year on the 500,000 cumulative preference shares. No dividend is proposed on the ordinary shares.

REVIEW OF THE BUSINESS

The directors are of the opinion that the company remains in a good position to take advantage of any opportunities which may arise in the future.

On 14 January 1987, the company issued 300,000 8.5% Cumulative Convertible Preference Shares of £1 each at par and 200,000 8.5% Cumulative Redeemable Preference Shares of £1 at par. Simultaneously the company issued 40,000 ordinary shares to acquire the whole of the issued share capital of Fascia Investments Limited (Fascia), a company which was entirely owned by Mr. J.S. Walker. In addition the company agreed to acquire the whole of the issued share capital of AEL Components Limited (AEL) for a cash consideration of £100 and agreed to repay that company's ultimate holding company's loans.

DIRECTORS' REPORTFOR THE YEAR ENDED 31 DECEMBER 1987

DIRECTORS

The directors during the year and their interest in the share capital of the company at the beginning and end of the year were as follows:-

	<u>31 December 1987</u>	<u>ORDINARY SHARES OF £1</u>	
		<u>1 January 1987</u>	
		'A'	'B'
J.S. Walker	109,992	69,992	-
Fascia Investments Ltd. Pension Scheme	30,008	5,000	25,008

J.S. Walker is a beneficiary of Fascia Investments Ltd Pension Scheme.

On 14 January 1987 the ordinary 'A' shares and ordinary 'B' shares were converted into ordinary shares.

SIGNIFICANT SHAREHOLDERS

In addition to the shareholdings disclosed above, Phildrew Nominees held the whole of the 8.5% Cumulative redeemable shares and the 8.5% cumulative convertible shares.

Throughout the year there existed a contract with Fascia Investments Limited. Fascia Investments Limited provided management, secretarial and other services to the company. Mr. J.S. Walker is Managing Director and was principal shareholder of Fascia Investments Limited.

Fascia Investments Limited resigned as director on 14 January 1987.

FIXED ASSETS

Movements in fixed assets are set out in Note 9 to the accounts.

AUDITORS

The Auditors, Clark Whitehill, retire at the forthcoming annual general meeting and offer themselves for re-appointment.

By Order of the Board

M.M. LEE

Secretary

TO THE MEMBERS OF COMPSTOCK ELECTRONICS LIMITED

We have audited the financial statements on pages 4 to 15 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and of the group at 31 December 1987 and of the result and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

London

Chartered Accountants

COMPSTOCK ELECTRONICS LIMITED

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CONSOLIDATED PROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 31 DECEMBER 1987

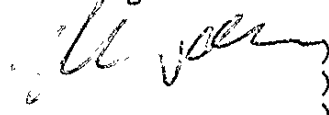
	<u>Notes</u>	<u>1987</u> £	<u>1986</u> <u>Restated</u> £
TURNOVER			
Cost of sales	2	2,636,447 1,680,491	1,804,159 1,131,727
GROSS PROFIT		955,956	672,432
Distribution costs		128,240	93,579
Administrative expenses		696,712	494,003
Other operating income		131,004 12,629	84,850 2,860
OPERATING PROFIT	3	143,633	87,710
Interest payable	5	61,008	72,246
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		82,625	15,464
Tax on profit on ordinary activities	6	1,600	7,436
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		81,025	8,028
Extraordinary item	7	86,503	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(5,478)	8,028
Dividends	8	40,870	-
(LOSS)/RETAINED PROFIT FOR THE YEAR		(46,348)	8,028

CONSOLIDATED BALANCE SHEET

31 DECEMBER 1987

		1987	1986
	Notes	£	Restated £
FIXED ASSETS			
Tangible assets	9	524,453	245,090
Endowment	11	58,677	46,466
		<hr/>	<hr/>
		583,130	291,556
CURRENT ASSETS			
Stocks	12	872,415	510,766
Debtors	13	712,842	473,637
Cash at bank and in hand		398	500
		<hr/>	<hr/>
		1,585,655	984,903
CREDITORS: amounts falling due within one year			
Bank overdraft (secured)		324,671	347,685
Trade creditors		653,610	312,545
Other taxes and social security costs	14	21,579	26,520
Other creditors		126,411	35,894
Accruals		32,151	23,734
		<hr/>	<hr/>
		1,158,422	746,378
NET CURRENT ASSETS		<hr/>	<hr/>
		427,233	238,525
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		1,010,363	530,081
CREDITORS: amounts falling due after more than one year	15	157,512	185,410
PROVISION FOR LIABILITIES AND CHARGES	16	-	3,400
		<hr/>	<hr/>
		£ 852,851	£ 341,271
CAPITAL AND RESERVES			
Called up share capital	17	640,000	140,000
Revaluation reserve	18	147,675	4,875
Profit and loss account	19	65,176	196,396
		<hr/>	<hr/>
		£ 852,851	£ 341,271

Approved by the Board on
and signed on their behalf:


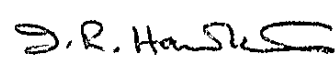
) DIRECTORS
D. R. Handley

BALANCE SHEET

31 DECEMBER 1987

	Notes	1987 £	1986 £
FIXED ASSETS			
Tangible assets	9	518,867	37,639
Investments	10	200	-
Endowment	11	58,677	-
		<hr/>	<hr/>
		577,744	37,639
CURRENT ASSETS			
Stocks	12	872,415	510,766
Debtors	13	712,842	484,644
Cash at bank and in hand		398	500
		<hr/>	<hr/>
		1,585,655	995,910
CREDITORS: amounts falling due within one year			
Bank overdraft (secured)		324,671	343,915
Trade creditors		653,610	294,211
Other taxes and social security costs	14	21,579	14,982
Other creditors		126,411	28,099
Group companies		4,609	-
Accruals		32,151	17,766
		<hr/>	<hr/>
		1,163,031	698,973
NET CURRENT ASSETS			
		<hr/>	<hr/>
		422,624	296,937
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,003,368	334,576
CREDITORS: amounts falling due after more than one year			
	15	157,512	-
PROVISION FOR LIABILITIES AND CHARGES			
	16	-	3,400
		<hr/>	<hr/>
		£ 842,856	£ 331,176
CAPITAL AND RESERVES			
Called up share capital	17	640,000	100,000
Revaluation reserve	18	143,550	-
Profit and loss account	19	59,306	231,176
		<hr/>	<hr/>
		£ 842,856	£ 331,176
		<hr/>	<hr/>

Approved by the Board on
and signed on their behalf:

)
) Directors
)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 31 DECEMBER 1987

	£	<u>1987</u>	£	<u>1986</u>
SOURCE OF FUNDS				£
Profit on ordinary activities before taxation		82,625		5,785
Extraordinary charge		(92,703)		-
		(10,078)		5,785
Adjustments for items not involving the movement of funds:				
Depreciation and profit on sale of fixed assets		46,997		19,110
Goodwill written off		(87,072)		-
		(50,153)		24,895
FUNDS FROM OTHER SOURCES				
Issue of share capital	500,000			-
Sale proceeds of fixed assets	19,240			19,705
		519,240		
		469,087		
APPLICATION OF FUNDS				
Purchase of fixed assets	200,600			
Purchase of endowment policy	12,211			
Taxation paid	14,077			
Dividend paid	19,445			
		246,333		-
		£222,754		£ 5,190
INCREASE/(DECREASE) IN WORKING CAPITAL				
Stocks		361,649		43,263
Debtors		239,205		49,245
Creditors and accruals		(428,910)		(30,715)
Long term creditors		27,898		-
		199,842		61,793
INCREASE IN NET LIQUID FUNDS:				
Increase in cash at bank and in hand		(102)		(7,914)
Increase in overdraft		23,014		(48,689)
		£222,754		£ 5,190

The comparatives have not been restated as in the opinion of the directors this is not practical.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

a) ACCOUNTING CONVENTION

These accounts are prepared under the historical cost convention modified by the revaluation of fixed assets.

b) BASIS OF CONSOLIDATION

The consolidated financial statements include the company and all its subsidiaries.

Except for subsidiaries dealt with by way of merger accounting, the group financial statements consolidate the financial statements of the company and its subsidiaries to 31 December, and include from the date of acquisition or to the date of disposal, the results of subsidiaries acquired or sold during the year.

Where the company has acquired a subsidiary by way of merger the cost of the shares acquired is recorded at the nominal value of the shares issued by the company plus the fair value of any additional consideration. The difference between this cost and the nominal value of the shares acquired is added to or deducted from reserves as appropriate. The prior year figures in the consolidated balance sheet are restated accordingly. Profits or losses of the merged subsidiaries are included in the group financial statements for the whole financial year and corresponding amounts are presented as if the combination had existed throughout the previous year.

A separate profit and loss account for the holding company has not been presented as permitted under Section 228(7) of the Companies Act 1985.

c) DEPRECIATION

The fixed assets are depreciated over their estimated useful lives by equal monthly instalments based on cost at the following rates:-

Fixtures and fittings	20%
Motor vehicles	20%
Computer equipment	11% - 33 1/3%
Freehold building	2%
Aircraft	12 1/2%

d) STOCK

Stock has been valued at the lower of weighted average price and net realisable value.

e) DEFERRED TAX

Provision is made under the liability method for deferred taxation which is likely to become payable within the foreseeable future.

f) FOREIGN CURRENCIES

Transactions denominated in foreign currencies are converted into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in the operating profit. Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. TURNOVER

Turnover is the value of goods invoiced, excluding value added tax.

The analysis of turnover by geographical location is as follows:

	<u>1987</u> £	<u>1986</u> £
United Kingdom	1,965,447	1,804,159
Overseas	671,000	-
	<hr/>	<hr/>
	£2,636,447	£1,804,159
	<hr/>	<hr/>

3. OPERATING PROFIT

This is stated after charging:

	<u>1987</u> £	<u>1986</u> £
Directors' emoluments	39,909	17,100
Depreciation of fixed assets	47,669	18,817
Auditors' remuneration	6,500	4,500
Ex-gratia payment to director upon resignation from office	-	16,890
	<hr/>	<hr/>

4. DIRECTORS AND STAFF

Number of Directors

3 1

Number of employees:

Office and management

36 20

Stores

6 3

Wages and salaries

405,285 197,319

Social security costs

37,499 18,281

Pensions

3,505 844

£ 446,289 £ 216,444

5. INTEREST PAYABLE

Interest on mortgage

20,287 20,812

Interest on bank and other short term loans

40,721 51,434

£ 61,008 £ 72,246

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

UK Corporation tax

- 1,885

Deferred tax - current year

1,600 2,951

- prior year

- 2,600

£ 1,600 £ 7,436

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	<u>1987</u> £	<u>1986</u> £
7. EXTRAORDINARY ITEM		
Acquisition and reorganisation costs following the acquisition of AEL Components Limited	92,703	-
Tax credit	6,200	-
	<hr/>	<hr/>
	£86,503	£ -
	<hr/>	<hr/>
8. DIVIDENDS		
Preference dividend	£40,870	£ -
	<hr/>	<hr/>

COMPSTOCK ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS

<u>Company</u>	<u>Land Buildings</u> f	<u>Motor Vehicles</u> f	<u>Computer Equipment</u> f	<u>Fixtures & Fittings</u> f	<u>Total</u> f
Cost					
1 January 1987	-	12,617	46,880	70,558	130,055
Additions at cost	7,127	97,776	44,317	51,380	200,600
Transfers from group company	178,403	20,612	23,552	7,495	230,062
Disposals	-	(29,017)	-	-	(29,017)
Revaluations	145,000	-	-	-	145,000
Cost 31 December 1987	330,530	101,988	114,749	129,433	676,700
Depreciation					
1 January 1987	-	4,443	28,364	59,609	92,416
Transfers from group company	5,814	4,542	17,142	1,893	29,391
Disposals	-	(10,449)	-	-	(10,449)
Provision for year - on cost	2,979	12,261	16,894	12,891	45,025
- on revaluation	1,450	-	-	-	1,450
Depreciation 31 December 1987	10,243	10,797	62,400	74,393	157,833
Net Book Value					
31 December 1987	f 320,287	f 91,191	f 52,349	f 55,040	f 518,867
Net Book Value					
1 January 1987	f -	f 8,174	f 18,516	f 10,949	f 37,639

During the year, the land and buildings were valued at an open market value by a chartered surveyor.

COMPSTOCK ELECTRONICS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. TANGIBLE FIXED ASSETS (CONTINUED)

<u>Group</u>	<u>Land and Building</u>	<u>Motor Vehicles</u>	<u>Computer Equipment</u>	<u>Fixtures & Fittings</u>	<u>Aircraft</u>	<u>Total</u>
	£	£	£	£	£	£
Cost						
1 January 1987	178,403	33,229	70,432	78,053	9,551	369,668
Additions at cost	7,127	97,776	44,317	51,380	-	200,600
Disposal	-	(29,017)	-	-	-	(29,017)
Revaluations	145,000	-	-	-	-	145,000
Cost 31 December 1987	330,530	101,988	114,749	129,433	9,551	686,251
Depreciation						
1 January 1987	5,814	8,985	45,506	61,502	2,771	124,578
Disposals	-	(10,449)	-	-	-	(10,449)
Provision for year - on cost	2,979	12,261	16,894	12,891	1,194	46,219
- on revaluation	1,450	-	-	-	-	1,450
Depreciation 31 December 1987	10,243	10,797	62,400	74,393	3,965	161,798
Net Book Value						
31 December 1987	£ 320,287	£ 91,191	£ 52,349	£ 55,040	£ 5,586	£ 524,453
Net Book Value						
1 January 1987	£ 172,589	£ 24,244	£ 24,926	£ 16,551	£ 6,780	£ 245,090

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. INVESTMENTS	1987 <u>Company</u> £	1987 <u>Group</u> £	1986 <u>Group and Company</u> £
At 1 January 1987	-	-	-
Additions	<u>200</u>	<u>-</u>	<u>-</u>
At 31 December 1987	<u>200</u>	<u>-</u>	<u>-</u>

Particulars of subsidiaries are as follows:

Name of Company:	Class and proportion of equity held:	
Fascia investments Limited	£1 ordinary shares	100%
AEL Components Limited	£1 ordinary shares	100%

11. ENDOWMENT POLICIES

The endowment policies are on the life of J.S. Walker and mature in 1994. At the 31 December 1987 the policies have a surrender value of £55,886.

12. STOCK

Stock consists wholly of bought in goods held for re-sale.

13. DEBTORS	1987 <u>Company and Group</u> £	1986 <u>Company</u> £	1986 <u>Group</u> £
Trade debtors	668,467	428,621	444,665
Other debtors	9,597	2,498	2,498
Prepayments	<u>34,778</u>	<u>53,525</u>	<u>26,474</u>
	<u>£ 712,842</u>	<u>£ 484,644</u>	<u>£ 473,637</u>

14. OTHER TAXES AND SOCIAL SECURITY COSTS

	1987 <u>Company and Group</u> £	1986 <u>Company</u> £	1986 <u>Group</u> £
UK Corporation tax	(13,392)	1,885	1,885
P.A.Y.E.	13,092	2,963	4,924
National insurance	11,821	2,909	4,870
Other	<u>10,058</u>	<u>7,225</u>	<u>14,841</u>
	<u>£ 21,579</u>	<u>£ 14,982</u>	<u>£ 26,520</u>

15. CREDITORS: amounts falling due after more than one year

	1987 <u>Company and Group</u> £	1986 <u>Company</u> £	1986 <u>Group</u> £
Mortgage	150,000	-	150,000
H.P. Creditor	7,512	-	-
Loans	<u>-</u>	<u>-</u>	<u>35,410</u>
	<u>£157,512</u>	<u>£ -</u>	<u>£185,410</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. DEFERRED TAXATION

	<u>1987</u>	<u>1986</u>
	<u>Company and</u>	<u>Group</u>
	<u>£</u>	<u>£</u>
Capital Allowances	5,000	3,400
Losses utilised	-	-
Less: Advance Corporation Tax recoverable	(5,000)	-
	<hr/>	<hr/>
	£ NIL	£3,400

The movement on the provision for deferred taxation is as follows:

	<u>£</u>
Provision at 1 January 1987	3,400
Charge for the year	1,600
Advance corporation tax recoverable	(5,000)
	<hr/>
	£ NIL

No provision has been made for the revaluation on the buildings as it is not the company's intention to sell the property.

17. SHARE CAPITAL

	<u>1987</u>	<u>1986</u>	<u>1986</u>
	<u>Group and</u>	<u>Company</u>	<u>Group</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Authorised:			
8.5% cumulative convertible preference shares of £1 each	300,000	-	-
8.5% cumulative redeemable preference shares of £1 each	200,000	-	-
Ordinary shares of £1 each	140,000	100,000	140,000
	<hr/>	<hr/>	<hr/>
	£ 640,000	£ 100,000	£ 140,000
	<hr/>	<hr/>	<hr/>
Allotted, called up and fully paid:			
8.5% cumulative convertible preference shares of £1 each	300,000	-	-
8.5% cumulative redeemable preference shares of £1 each	200,000	-	-
Ordinary shares of £1 each	140,000	100,000	140,000
	<hr/>	<hr/>	<hr/>
	£ 640,000	£ 100,000	£ 140,000

On 14 January 1987, ordinary 'A' and ordinary 'B' shares were converted to ordinary shares.

At the same time 40,000 ordinary shares were issued at par to acquire the whole of the issued share capital of Fascia Investments Ltd, and the company further issued 300,000 8.5% cumulative convertible preference shares of £1 each at par

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. REVALUATION RESERVE

	<u>Company</u> £	<u>Group</u> £
1 January 1987	-	4,875
Revaluation of Land and Buildings	145,000	145,000
Transfer to profit and loss account	(1,450)	(2,200)
	<hr/>	<hr/>
31 December 1987	£143,550	£147,675
	<hr/>	<hr/>

19. PROFIT AND LOSS ACCOUNT

	<u>Company</u> £	<u>Group</u> £
1 January 1987	231,176	236,296
Excess of shares issued over shares acquired	(39,900)	(39,900)
	<hr/>	<hr/>
Restated at 1 January 1987	191,276	196,396
Goodwill written off	-	(87,072)
Loss for the year	(133,420)	(46,348)
Transfer from revaluation reserve	1,450	2,200
	<hr/>	<hr/>
	£ 59,306	£ 65,176
	<hr/>	<hr/>

The excess of the nominal value of shares issued in Compstock Electronics Limited over the nominal value of the shares acquired in Fascia Investments Limited has been written off to reserves in accordance with the merger accounting provisions of Statement of Standard Accounting Practice 23.

The goodwill written off in the year arises on acquisition of AEL Components Limited.

20. AMOUNTS PAYABLE UNDER LEASES

	<u>1987</u> £	<u>1986</u> £
Leases expiring during the year	-	3,495
Leases expiring after 1 year but before 5 years	7,512	6,396
	<hr/>	<hr/>

21. CAPITAL COMMITMENTS

There were no capital commitments either approved or contracted for at the year end (1986 £NIL).