

Compstock Electronics Limited

Directors' report and financial statements

31 March 2001

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 2001.

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.

Dividend and transfer to reserves

During the period dividends of £375,000 were paid (2000 : £250,000). The transfer to reserves is a profit of £572,694 (2000 : £789).

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) |

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.

| | Interest at end of year | | Interest at beginning of year | |
|------------|-------------------------|-----------------|-------------------------------|-----------------|
| | Shares | SAYE Options | Shares | SAYE Options |
| W McKnight | - | 1,578 | - | 1,578 |
| MM Lee | - | 1,578 | - | 1,578 |
| DJ Hart | - | 236 | - | 236 |
| PT Long | - | 236 | - | 236 |

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. None of the other directors either exercised or were granted options over shares during the year.

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.

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

A handwritten signature in black ink, appearing to be 'MM Lee', written over a diagonal line.

MM Lee
Secretary

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

14 September 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.

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

We have audited the financial statements on pages 5 to 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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 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.

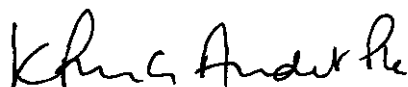
Basis of opinion

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 2001 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

14 September 2001

Compstock Electronics Limited

Profit and loss account

for the year ended 31 March 2001

| | Note | 2001 Year £ | 2000 15 months £ |
|--|------|-------------------|------------------------|
| Turnover | 2 | 12,475,791 | 10,808,963 |
| Cost of sales | | (8,851,851) | (8,186,085) |
| Gross profit | | 3,623,940 | 2,622,878 |
| Administrative expenses | | (2,034,366) | (1,957,793) |
| Distribution expenses | | (375,529) | (407,512) |
| Operating profit | | 1,214,045 | 257,573 |
| Exceptional profit on disposal of fixed asset property | | 184,824 | - |
| Profit before interest | | 1,398,869 | 257,573 |
| Other interest receivable and similar income | 6 | 23,637 | 3,603 |
| Interest payable and similar charges | 7 | (9,812) | (19,701) |
| Profit on ordinary activities before taxation | 3 | 1,412,694 | 241,475 |
| Tax on profit on ordinary activities | 8 | (465,000) | 9,314 |
| Profit after tax | | 947,694 | 250,789 |
| Dividends paid | 9 | (375,000) | (250,000) |
| Retained profit for the period | | 572,694 | 789 |
| Retained profit brought forward | | 255,554 | 254,765 |
| Retained profit carried forward | | 828,248 | 255,554 |
| | | ===== | ===== |

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

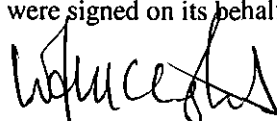
The company has no recognised gains and losses other than the profit for the year of £947,694 (2000 : £250,789). Accordingly, a statement of total recognised gains and losses has not been presented.

Compstock Electronics Limited

Balance sheet as at 31 March 2001

| | Note | 2001 £ | 2000 £ |
|--|------|------------------|------------------|
| Fixed assets | | | |
| Tangible assets | 10 | 527,885 | 407,659 |
| Investments | 11 | 26,793 | 26,793 |
| | | <u>554,678</u> | <u>434,452</u> |
| Current assets | | | |
| Stocks | 12 | 1,607,034 | 1,476,257 |
| Debtors | 13 | 3,280,071 | 2,803,475 |
| Cash at bank and in hand | | 672,436 | 550,886 |
| | | <u>5,559,541</u> | <u>4,830,618</u> |
| Creditors falling due within one year | 14 | (2,891,709) | (2,587,607) |
| Net current assets | | <u>2,667,832</u> | <u>2,243,011</u> |
| Total assets less current liabilities | | <u>3,222,510</u> | <u>2,677,463</u> |
| Creditors falling due after more than one year | 15 | (1,354,262) | (1,381,909) |
| Net assets | | <u>1,868,248</u> | <u>1,295,554</u> |
| Capital and reserves | | | |
| Called up share capital | 16 | 640,100 | 640,100 |
| Share premium account | | 399,900 | 399,900 |
| Profit and loss account | | 828,248 | 255,554 |
| Shareholders' funds | 17 | <u>1,868,248</u> | <u>1,295,554</u> |
| <i>Analysed as:</i> | | | |
| Equity interests | 16 | 1,368,248 | 795,554 |
| Non-equity interests | 16 | 500,000 | 500,000 |
| | | <u>1,868,248</u> | <u>1,295,554</u> |

These financial statements were approved by the board of directors on 14 September 2001 and were signed on its behalf by:



WJ McKnight
Director

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 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

| | 2001 Year £ | 2000 15 months £ |
|---------------------|-------------------|------------------------|
| United Kingdom | 10,388,242 | 9,899,909 |
| Republic of Ireland | 1,832,715 | 787,232 |
| Germany | 12,367 | 17,973 |
| Rest of Europe | 160,039 | 60,125 |
| Middle East | 3,771 | 7,935 |
| North America | 70,810 | 25,743 |
| Rest of the World | 7,847 | 10,046 |
| | <u>12,475,791</u> | <u>10,808,963</u> |

Compstock Electronics Limited

Notes (continued)

3 Profit on ordinary activities before taxation

| | 2001 Year £ | 2000 15 months £ |
|--|-------------------|------------------------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> | | |
| Auditors' remuneration - as auditors | 13,000 | 22,000 |
| Depreciation of tangible fixed assets | | |
| - assets owned | 75,000 | 53,888 |
| - assets held under hire purchase agreements | 48,129 | 60,161 |
| Operating lease charges | | |
| - land and buildings | 78,399 | 71,884 |
| - other assets | 46,991 | 81,141 |
| | <u> </u> | <u> </u> |

4 Remuneration of directors

| | 2001 Year £ | 2000 15 months £ |
|----------------------------|-------------------|------------------------|
| Directors' emoluments: | | |
| Remuneration as executives | 257,754 | 305,666 |
| | <u> </u> | <u> </u> |

The directors remuneration includes contributions to defined benefit and defined contribution pension schemes totalling £13,303 (2000 : £17,000). Retirement benefits accrued to 5 directors under defined benefit and defined contribution schemes. The remuneration of the highest paid director was £70,841 (2000 : £93,000) and contributions to defined benefit and defined contribution pension schemes of £3,775 (2000 : £6,000) 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:

| | 2001 Year Number of employees | 2000 15 months |
|-------------------------------------|-------------------------------------|-------------------|
| Office, management and distribution | 63 | 58 |
| | <u> </u> | <u> </u> |

The aggregate payroll costs of these persons were as follows:

| | 2000 Year £ | 2000 15 months £ |
|-----------------------|-------------------|------------------------|
| Wages and salaries | 1,252,294 | 1,088,329 |
| Social security costs | 103,028 | 91,160 |
| Other pension costs | 51,858 | 40,272 |
| | <u> </u> | <u> </u> |
| | 1,407,180 | 1,219,761 |
| | <u> </u> | <u> </u> |

Compstock Electronics Limited

Notes (continued)

6 Other interest receivable and similar income

| | 2001 Year £ | 2000 15 months £ |
|--|-------------------|------------------------|
| Receivable from other group undertakings | 23,637 | 3,603 |
| | <u>=====</u> | <u>=====</u> |

7 Interest payable and similar charges

| | 2001 Year £ | 2000 15 months £ |
|---|-------------------|------------------------|
| On bank loans and overdrafts wholly repayable within five years | - | 7,435 |
| Finance charges payable in respect of finance leases and hire purchase contracts | 9,812 | 12,266 |
| | <u>=====</u> | <u>=====</u> |
| | 9,812 | 19,701 |
| | <u>=====</u> | <u>=====</u> |

8 Taxation on profit on ordinary activities

| | 2001 Year £ | 2000 15 months £ |
|---|-------------------|------------------------|
| UK corporation tax at 30% (2000 : 30%) | | |
| - on the profit for the period on ordinary activities | 465,000 | 124,686 |
| - adjustment relating to earlier periods | - | (134,000) |
| | <u>=====</u> | <u>=====</u> |
| | 465,000 | (9,314) |
| | <u>=====</u> | <u>=====</u> |

9 Dividends

| | 2001 Year £ | 2000 15 months £ |
|---------|-------------------|------------------------|
| Interim | 175,000 | - |
| Final | 200,000 | 250,000 |
| | <u>=====</u> | <u>=====</u> |
| | 375,000 | 250,000 |
| | <u>=====</u> | <u>=====</u> |

Compstock Electronics Limited

Notes (continued)

10 Tangible fixed assets

| | Freehold land & buildings £ | Fixtures & computers £ | Motor vehicles £ | Total £ |
|-----------------------|--------------------------------------|------------------------------|------------------------|------------|
| <i>Cost</i> | | | | |
| At start of year | 252,412 | 810,938 | 76,529 | 1,139,879 |
| Additions | - | 277,686 | 111,712 | 389,398 |
| Disposals | (252,412) | (40,068) | - | (292,480) |
| At end of year | - | 1,048,556 | 188,241 | 1,236,797 |
| <i>Depreciation</i> | | | | |
| At start of year | 121,652 | 606,597 | 3,971 | 732,220 |
| Charge | 4,667 | 87,240 | 31,222 | 123,129 |
| Disposals | (126,319) | (20,118) | - | (146,437) |
| At end of year | - | 673,719 | 35,193 | 708,912 |
| <i>Net book value</i> | | | | |
| At end of year | - | 374,837 | 153,048 | 527,885 |
| At start of year | 130,760 | 204,341 | 72,558 | 407,659 |

Net book value of tangible fixed assets at 31 March 2001 includes £126,221 (2000 : £174,351) in respect of assets held under finance leases and hire purchase agreements. Depreciation for the period on these assets was £48,129 (2000 : £60,161).

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 | 26,793 |

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 periods.

Compstock Electronics Limited

Notes (continued)

| | | | |
|----|--|--------------|--------------|
| 12 | Stocks | 2001 | 2000 |
| | | £ | £ |
| | Finished goods | 1,607,034 | 1,476,257 |
| | | <u>=====</u> | <u>=====</u> |
| 13 | Debtors | 2001 | 2000 |
| | | £ | £ |
| | <i>Amounts due within one year</i> | | |
| | Trade debtors | 2,969,451 | 2,345,141 |
| | Amounts owed to fellow subsidiary undertakings | 274,170 | 274,579 |
| | Prepayments and accrued income | 36,450 | 21,755 |
| | Tax recoverable | - | 162,000 |
| | | <u>=====</u> | <u>=====</u> |
| | | 3,280,071 | 2,803,475 |
| | | <u>=====</u> | <u>=====</u> |
| 14 | Creditors falling due within one year | 2001 | 2000 |
| | | £ | £ |
| | Trade creditors | 1,950,752 | 1,760,956 |
| | Amounts owed to ultimate parent undertaking | 17,393 | 11,545 |
| | Amounts owed fellow subsidiary undertakings | 351,681 | 351,681 |
| | Other creditors including tax and social security | 378,804 | 349,617 |
| | Accruals and deferred income | 193,079 | 113,808 |
| | | <u>=====</u> | <u>=====</u> |
| | | 2,891,709 | 2,587,607 |
| | | <u>=====</u> | <u>=====</u> |
| | <i>Other creditors including tax and social security comprise:</i> | | |
| | Corporation tax payable | 332,679 | 202,696 |
| | Other taxes and social security | 18,478 | 98,798 |
| | | <u>=====</u> | <u>=====</u> |
| | | 351,157 | 301,494 |
| | Obligations under hire purchase contracts | 27,647 | 48,123 |
| | | <u>=====</u> | <u>=====</u> |
| | | 378,804 | 349,617 |
| | | <u>=====</u> | <u>=====</u> |
| 15 | Creditors falling due after more than one year | 2001 | 2000 |
| | | £ | £ |
| | Obligations under hire purchase contracts due within one year- | - | 27,647 |
| | Amounts owed to ultimate parent undertaking | 1,354,262 | 1,354,262 |
| | | <u>=====</u> | <u>=====</u> |
| | | 1,354,262 | 1,381,909 |
| | | <u>=====</u> | <u>=====</u> |

Compstock Electronics Limited

Notes (continued)

16 Share capital

| | | 2001 £ | 2000 £ |
|---|---|----------------|----------------|
| <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 a 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)

17 Movements in shareholders' funds

| | 2001 £ | 2000 £ |
|---|-----------------------|-----------------------|
| Profit after tax for the financial period | 947,694 | 250,789 |
| Dividends | (375,000) | (250,000) |
| | <hr/> 572,694 | <hr/> 789 |
| Share capital issued | - | 400,000 |
| Opening shareholders' funds | 1,295,554 | 894,765 |
| | <hr/> 1,868,248 | <hr/> 1,295,554 |
| Closing shareholders' funds | <hr/> <hr/> 1,868,248 | <hr/> <hr/> 1,295,554 |

18 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 2001 this contingent liability amounted to £44,217,808 (2000 : £15,643,732).

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 2001 this contingent liability amounted to £1,334,760 (2000 : £1,190,367). The company maintains a guarantee of £30,000 (2000 : £30,000) in favour of HM Customs and Excise.

Compstock Electronics Limited

Notes (continued)

19 Commitments

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

| | 2001 £ | 2000 £ |
|-----------------------------|-----------|-----------|
| Contracted but not provided | 54,800 | 27,577 |

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

| | 2001 Land and buildings £ | 2001 Other £ | 2000 Land and buildings £ | 2000 Other £ |
|----------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Leases expiring: | | | | |
| - within one year | - | 4,622 | - | 25,342 |
| - within two to five years | 16,500 | - | 16,500 | 1,060 |
| - after five years | 89,752 | - | - | - |
| | 106,252 | 4,622 | 16,500 | 26,402 |

20 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 £51,858 (2000 : £40,272) were paid to the fund during the period and there were no amounts outstanding at the period end (2000 : £nil).

21 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.