

**DELTRON EMCON LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 SEPTEMBER 2001**

Registered Number : 1501059



**MORGAN BROWN & SPOFFORTH**  
*Chartered Accountants*

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**DELTRON EMCON LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2001**

**I N D E X**

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## **DELTRON EMCON LIMITED**

### **DIRECTORS' REPORT**

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The directors present their report and financial statements for the year ended 30 September 2001.

#### **Principal Activity**

The company's principal activity during the year continued to be that of the designing, manufacturing and selling of electronic components and building fixings.

#### **Results and Dividends**

The turnover during the year has decreased by 21% to £8.1 million from £10.3 million in the previous year. The profit for the year, after taxation, amounted to £146,000 compared with £822,000 in the previous year. The directors recommend a dividend for the year of £500,000 (2000 - £nil).

#### **Euro**

It is not anticipated that the Euro will have a significant impact on Deltron Emcon Limited. However we are undertaking a review of our operation as part of a wider group issue.

#### **Directors and Directors' Interests**

The directors who held office throughout the year to 30 September 2001 were as follows:

C J Sawyer	
R E Tozer	
R B T Davis	
D R Reading	
P Gallone	(appointed 1 October 2000)

None of the directors have any interest in the shares of the company. C J Sawyer and R E Tozer are directors of the ultimate holding company, Deltron Electronics plc. Their interests in the holding company are shown in the accounts of that company. The interests of the other directors are shown in the notes to these accounts.

#### **Political and Charitable Donations**

During the year the company made charitable donations of £440 (2000 - £863).

#### **Creditor Payment Policy**

The company endeavours to pay their trade creditors and other suppliers in accordance with the terms of payment agreed at the time the contract of supply is made, to keep suppliers informed of the company's terms of payment and to make payments in accordance therewith. At the end of the year, the company had an average of 70 days (2000 - 81 days) purchases outstanding in trade creditors.

**DELTRON EMCON LIMITED**

**DIRECTORS' REPORT**

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**Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985, as amended. 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.

**Auditors**

A resolution to re-appoint Morgan Brown & Spofforth as auditors of the company will be proposed at the forthcoming Annual General Meeting.

On behalf of the board

Registered Office:  
Suffolk House  
Fordham Road  
Newmarket  
Suffolk  
CB8 7AA

7 December 2001

  
R E Tozer  
Director

**INDEPENDENT AUDITORS REPORT TO THE SHAREHOLDERS OF  
DELTRON EMCON LIMITED**

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We have audited the financial statements of Deltron Emcon Limited for the year ended 30 September 2001 on pages 4 to 15 which have been prepared under the historical cost convention, and on the basis of the accounting policies set out on pages 6 and 7.

**Respective Responsibilities of Directors and Auditors**

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 by law regarding directors' remuneration and transactions with the company is not disclosed.

**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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.

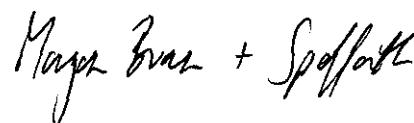
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2001 and of its loss for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.

82 St John Street  
London  
EC1M 4JN

7 December 2001



MORGAN BROWN & SPOFFORTH  
Chartered Accountants  
Registered Auditor

**DELTRON EMCON LIMITED****PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 30 SEPTEMBER 2001**

	Notes	2001 £'000	2000 £'000
Turnover	2	8,105	10,285
Cost of sales		(4,813)	(6,073)
<b>Gross profit</b>		<b>3,292</b>	<b>4,212</b>
Selling and distribution costs		(81)	(73)
Administrative expenses		(2,970)	(3,061)
<b>Operating profit</b>	3	<b>241</b>	<b>1,078</b>
Interest payable and similar charges	5	(35)	(166)
<b>Profit on ordinary activities before taxation</b>		<b>206</b>	<b>912</b>
Tax on profit on ordinary activities	6	(60)	(90)
<b>Profit on ordinary activities after taxation</b>		<b>146</b>	<b>822</b>
Dividends	7	(500)	-
<b>Retained (loss)/profit for the financial year</b>		<b>(354)</b>	<b>822</b>

**Total Recognised Gains and Losses**

The company has no recognised gains or losses other than as stated above.

**Historical Cost Equivalents**

There is no difference between the (loss)/profit reported above and the equivalent (loss)/profit calculated on an unmodified historical cost basis.

**Continuing Operations**

Turnover and operating profit derive from continuing operations.


The notes on pages 6 to 15 form part of these financial statements.

**DELTRON EMCON LIMITED****BALANCE SHEET**

AS AT 30 SEPTEMBER 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed Assets</b>			
Tangible assets	8	962	1,088
<b>Current Assets</b>			
Stocks	9	1,139	1,396
Debtors	10	1,319	2,234
Cash at bank and in hand		303	785
		<u>2,761</u>	<u>4,415</u>
Creditors: amounts falling due within one year	11	<u>(1,788)</u>	<u>(3,179)</u>
<b>Net Current Assets</b>		973	1,236
<b>Total Assets less Current Liabilities</b>		<u>1,935</u>	<u>2,324</u>
Creditors: amounts falling due after more than one year	12	(1,237)	(1,358)
<b>Provisions for Liabilities and Charges</b>	13	<u>(86)</u>	<u>-</u>
<b>Net Assets</b>		<u>612</u>	<u>966</u>
<b>Capital and Reserves</b>			
Called up share capital	15	11	11
Share premium account	16	2	2
Profit and loss account	16	599	953
<b>Shareholder's Funds – Equity interests only</b>		<u>612</u>	<u>966</u>

The financial statements on pages 4 to 15 were approved by the board of directors on the date shown and were signed on its behalf by:

  
 .....  
 R E Tozer – Director

7 December 2001

**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001**

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**1. ACCOUNTING POLICIES****Basis of accounting**

The accounts are prepared under the historical cost convention.

The company has taken advantage of the exemption under Financial Reporting Standard No. 1 not to prepare a cash flow statement. The consolidated accounts of its parent undertaking include a cash flow statement dealing with cash flows of the group. The company has also taken advantage of the exemption under Financial Reporting Standard No. 8 not to disclose details of transactions with group undertakings.

The accounts are prepared in accordance with all relevant United Kingdom Statements of Standard Accounting Practice and Financial Reporting Standards.

**Depreciation**

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life, as follows:

Leasehold improvements	-	over period of lease
Fixtures and fittings	-	10% straight line
Plant and machinery	-	10% straight line
Motor vehicles	-	25% on cost
Tools and office equipment	-	25% on cost

**Stocks and work in progress**

Stocks and work in progress have been valued at the lower of cost, including appropriate overhead expenses, and net realisable value.

**Research and development**

Research and development expenditure is written off against profits in the year in which it is incurred.

**Foreign currency transactions**

Transactions in foreign currencies are translated at a moving average exchange rate. Assets and liabilities outstanding at the balance sheet date are translated at the closing rate or if appropriate at a forward contract rate. All differences on exchange are taken to the profit and loss account.

**Leased assets**

Tangible fixed assets acquired under finance leases are capitalised at cost and the amount outstanding at the balance sheet date is included under creditors. Finance charges, calculated using a method materially consistent with Statement of Standard Accounting Practice No 21, are included within interest payable in the profit and loss account and charged over the periods of the agreements. Rentals payable under operating leases are charged in the profit and loss account evenly over the life of the lease.



**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001****1. ACCOUNTING POLICIES (Continued)****Deferred taxation**

When appropriate the company provides for deferred taxation using the liability method and expected future tax rates, to account for differences in timing between the recognition of income and expenditure for accounting and taxation purposes.

**Pension costs**

Pension costs relate to a defined contribution scheme and are accounted for as they are incurred.

**Provisions for liabilities and charges**

Provisions have been made in the financial statements for all losses of a material amount which have resulted from, or may be expected to result from, legal action or otherwise, or from events which had occurred by the balance sheet date.

**2. TURNOVER**

Turnover comprises the invoiced value of goods and services supplied exclusive of Value Added Tax and after deduction of trade discounts. Turnover is entirely attributable to the principal activity. The analysis of turnover by geographical destination is as follows:

	2001 £'000	2000 £'000
United Kingdom	5,300	7,492
Mainland Europe	2,034	1,981
Far East	131	97
America	537	553
Other	103	162
	<u>8,105</u>	<u>10,285</u>

## DELTRON EMCON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

<b>3. OPERATING PROFIT</b>	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Operating profit is stated after charging/(crediting):		
Auditors' remuneration:		
Audit	33	29
Depreciation and other amounts written off tangible fixed assets:		
Owned assets	210	208
Leased assets	37	57
Profit on sale of tangible fixed assets	(11)	(2)
Operating lease rentals:		
Land and buildings	179	163
Plant and machinery	-	2
	<u>          </u>	<u>          </u>
<b>4. DIRECTORS AND OTHER EMPLOYEES</b>	<b>2001</b>	<b>2000</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs (including directors) include the following amounts:		
Wages and salaries	1,988	2,359
Social security costs	180	163
Pension costs	23	32
	<u>          </u>	<u>          </u>
	2,191	2,554
	<u>          </u>	<u>          </u>
	<b>2001</b>	<b>2000</b>
	<b>No.</b>	<b>No.</b>
The average monthly number of persons employed by the company during the year was as follows:		
Selling	9	8
Production	82	79
Administration	31	37
	<u>          </u>	<u>          </u>
	122	124
	<u>          </u>	<u>          </u>

**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001****4. DIRECTORS AND OTHER EMPLOYEES (Continued)**

The remuneration of the directors who served during the year was as follows:

	2001 £'000	2000 £'000
Emoluments	224	178
Pension contributions	14	11
	<u>238</u>	<u>189</u>

The chairman received no remuneration from this company. The remuneration for his services, along with that of three other directors (2000 – 3), is dealt with in the accounts of other group companies. There are three directors (2000 – 3) to whom benefits are accruing in respect of a defined contribution pension scheme. The highest paid director in each year received the following remuneration:

	2001 £'000	2000 £'000
Emoluments	92	92
Pension contributions	6	6
	<u>98</u>	<u>98</u>

The interests of those directors who are not also directors of the ultimate holding company, at the start and end of the year, in the share capital of the ultimate holding company and options over it are shown below:

Directors	At 01/10/00	Number of Options During the year			At 30/09/01	Exercise Price	Date from Which Exercisable	Expiry Date
		Granted	Exercised	Lapsed				
R B T Davis	6,009	-	6,009	-	-	39.68p	30/09/97	30/09/01
P Gallone	-	3,571	-	-	3,571	140p	01/12/02	01/12/06

The market price of the ordinary shares in the ultimate holding company at 30 September 2001 was 58p and the range during the year ended 30 September 2001 was 55.5p to 183.5p.

## DELTRON EMCON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2001

## 5. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £'000	2000 £'000
Bank overdrafts	24	76
Finance leases	11	16
Other loans	-	74
	<u>35</u>	<u>166</u>

## 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2001 £'000	2000 £'000
UK corporation tax on income for the period	56	178
Corporation tax under/(over)provided in previous years	4	(88)
	<u>60</u>	<u>90</u>

## 7. DIVIDENDS

	2001 £'000	2000 £'000
Ordinary dividend payable	500	-
	<u>500</u>	<u>-</u>

## DELTRON EMCON LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 SEPTEMBER 2001

## 8. TANGIBLE FIXED ASSETS

	Short Leasehold Improvements £'000	Fixtures & Fittings £'000	Plant and Machinery £'000	Motor Vehicles £'000	Tools £'000	Office Equipment £'000	Total £'000
<b>Cost</b>							
At 1 October 2000	274	28	1,035	254	500	212	2,303
Additions	-	-	13	62	53	57	185
Disposals	-	(4)	(35)	(106)	-	-	(145)
At 30 September 2001	<u>274</u>	<u>24</u>	<u>1,013</u>	<u>210</u>	<u>553</u>	<u>269</u>	<u>2,343</u>
<b>Depreciation</b>							
At 1 October 2000	120	8	412	113	448	114	1,215
Charge for the year	25	6	91	55	30	40	247
Disposals	-	(1)	(6)	(74)	-	-	(81)
At 30 September 2001	<u>145</u>	<u>13</u>	<u>497</u>	<u>94</u>	<u>478</u>	<u>154</u>	<u>1,381</u>
<b>Net Book Value</b>							
At 30 September 2001	<u>129</u>	<u>11</u>	<u>516</u>	<u>116</u>	<u>75</u>	<u>115</u>	<u>962</u>
At 30 September 2000	<u>154</u>	<u>20</u>	<u>623</u>	<u>141</u>	<u>52</u>	<u>98</u>	<u>1,088</u>

Included in fixed assets are motor vehicles and plant and machinery purchased under finance lease and hire purchase agreements which have a net book value of £155,000 (2000 - £216,000). Depreciation charged on these assets during the year was £37,000 (2000 - £57,000).

## 9. STOCKS

	2001 £'000	2000 £'000
Raw materials and consumables	570	510
Work in progress	118	329
Finished goods and goods for resale	451	557
	<u>1,139</u>	<u>1,396</u>

**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001****10. DEBTORS**

	2001 £'000	2000 £'000
Trade debtors	990	1,746
Amounts due from parent undertaking	-	119
Amounts due from fellow subsidiaries	164	150
Other debtors	13	7
Prepayments and accrued income	96	207
ACT recoverable	56	5
	<u>1,319</u>	<u>2,234</u>

**11. CREDITORS: amounts falling due within one year**

	2001 £'000	2000 £'000
Bank loans and overdrafts	27	943
Trade creditors	600	1,155
Amounts due to parent undertaking	55	-
Amounts due to fellow subsidiaries	51	234
Corporation tax	181	127
Other tax and social security	42	148
Other creditors	31	14
Obligations under finance leases and hire purchase contracts	63	55
Accruals and deferred income	238	503
Dividends payable	500	-
	<u>1,788</u>	<u>3,179</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the company's assets.

The obligations under finance leases and hire purchase agreements are secured over the assets acquired under those contracts.

**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001****12. CREDITORS: amounts falling due after more than one year**

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts (all repayable within two to five years)	67	30
Amounts due to parent undertaking	969	895
Amounts due to fellow subsidiaries	201	433
	<u>1,237</u>	<u>1,358</u>

The obligations under finance leases and hire purchase agreements are secured over the assets acquired under those contracts.

Included in the above are finance leases and hire purchase obligations falling due as follows:

	2001 £'000	2000 £'000
In the next year	63	55
In the second to fifth years	67	30
	<u>130</u>	<u>85</u>

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

No information regarding the provision for £86,000 is provided in these accounts as, in the opinion of the directors, this would be seriously prejudicial to the business.

**14. DEFERRED TAXATION**

The amounts of deferred taxation not provided in the accounts are as follows:-

	2001 £'000	2000 £'000
Capital allowances in advance of depreciation	<u>65</u>	<u>103</u>

**15. SHARE CAPITAL**

	2001 £'000	2000 £'000
Authorised 250,000 Ordinary shares of £1 each	<u>250</u>	<u>250</u>
Allotted, called up and fully paid 11,245 Ordinary shares of £1 each	<u>11</u>	<u>11</u>

**DELTRON EMCON LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 SEPTEMBER 2001****16. RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS**

	Share Capital £'000	Share Premium Account £'000	Profit and Loss Account £'000	Total 2001 £'000	Total 2000 £'000
Opening shareholder's funds	11	2	953	966	144
Profit for the year after taxation	-	-	146	146	822
Dividends	-	-	(500)	(500)	-
Closing shareholder's funds	<u>11</u>	<u>2</u>	<u>599</u>	<u>612</u>	<u>966</u>

**17. CONTINGENT LIABILITIES**

At the year end Barclays Bank plc and its subsidiaries held a fixed and floating charge over the assets of the company. An unlimited multilateral guarantee exists between all UK group companies for bank borrowing and other facilities. The total contingent liability at the year end under this guarantee is £11,935,783. The company views the likelihood of the guarantee being called upon as remote.

Subject to the foregoing, the company had no material contingent liabilities at the year end.

**18. CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the accounts amounted to £62,800 (2000 - £16,000).

**19. PENSION COMMITMENTS**

During the year the company contributed to a defined contribution scheme, whose operation has not altered during the year, for certain employees. The funds of the schemes are independently administered by insurance companies. The pension cost charge for the year represents contributions payable to the scheme, which amounted to £23,000 (2000 - £32,000).

**20. OTHER FINANCIAL COMMITMENTS**

At the year end the company had annual commitments under non-cancellable operating leases as set out below:

	Land & Buildings	
	2001 £'000	2000 £'000
Operating leases which expire: In more than five years	<u>165</u>	<u>170</u>



**DELTRON EMCON LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2001**

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**21. ULTIMATE HOLDING COMPANY**

The company's ultimate holding company is Deltron Electronics plc, a company registered in England and Wales. It has included the company in its group accounts, copies of which are available from: The Secretary, Deltron Electronics plc, Suffolk House, Fordham Road, Newmarket, Suffolk, CB8 7AA.

**22. ULTIMATE CONTROLLING PARTY**

Deltron Electronics plc is listed on the full list of the London Stock Exchange. No entity or individual has an ultimate controlling interest.