

1 911653

COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' REPORT AND ACCOUNTS

30TH NOVEMBER 1990



Registered Number : 1911653

COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARIES

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report together with the accounts of the company and its subsidiaries for the year ended 30th November 1990.

Business Review

The principal activities of the Group are those of designing, manufacturing, marketing and supporting digital electronic equipment for use both on aircraft and in ground applications.

During the current year the Group has gone through a period of consolidation. The Group has invested significantly into key projects to ensure growth in future years and remains well positioned to take new opportunities which will materially broaden both its technology base and product range.

Research and Development

The Group has continued to invest significant resources into the design and development of new technologies and products. This approach has contributed to the award of several contracts to translate concepts into fully developed products.

Results for the Year

The Group's results for the year were as follows:

|                                                |       |
|------------------------------------------------|-------|
|                                                | £'000 |
| Profit after taxation, transferred to reserves | 329   |
|                                                | ===== |

The directors do not recommend the payment of a dividend.

### Land and Buildings

The directors are of the opinion that the market value of leased land and buildings is approximately £3.7 million compared with a book value of £1.8 million.

The directors are of the opinion that the market value of freehold land and buildings is the same as the book value of £3.6 million.

### Directors

The directors who served during the year were:

|                   |                                  |
|-------------------|----------------------------------|
| W.J. Uttley-Moore | (Managing Director and Chairman) |
| M.A. Rowland      |                                  |
| D.J. Dolan        |                                  |
| B.P. Larcombe     | (Resigned 12.11.90.)             |
| R.G. Hooker       |                                  |
| R.E. Handberg     |                                  |
| E.A. Barton       | (Appointed 12.11.90.)            |

Beneficial shareholdings of directors in the company were as follows:

|                   | <u>30th November 1990 and 1989</u><br><u>Ordinary Shares</u><br><u>of 50p ea.</u> |
|-------------------|-----------------------------------------------------------------------------------|
| W.J. Uttley-Moore | 102,000                                                                           |
| M.A. Rowland      | 40,000                                                                            |

Other than as listed above no directors had any interest in the share capital of any company in the group.

### Employees

The training and management of a highly skilled workforce is key to the future business growth. The directors ensure that health and safety are given special attention within the group. The group has a general policy to encourage employment of disabled people and would, if at all possible, encourage the retention of any employee who became disabled during their employment. The Group has a particular interest in disabled people to the extent that the Managing Director is also a director of a Group whose purpose is to provide employment for severely disabled people and the Group's purchasing policies are directed to giving preference wherever possible to such entities.

Employee Involvement

It is the Group's policy to inform the staff as fully as possible through regular communication meetings. The subjects that are covered include market status, product developments and financial position.

Taxation

The directors are advised that the company is not one to which the close company provisions of the Income and Corporation Taxes Act 1988 apply.

Auditors

In accordance with Section 385 Companies Act 1985 a resolution for the re-appointment of KPMG Peat Marwick McLintock as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

21 Holborn Viaduct  
London. EC1A 2DY

By Order of the Board  
SISEC LIMITED

*A De Lame*

Secretary

3rd June 1991

REPORT OF THE AUDITORS,  
KPMG PEAT MARWICK McLINTOCK,  
TO THE MEMBERS OF  
COMPUTING DEVICES COMPANY LIMITED

We have audited the accounts on pages 5 to 22 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 30th November 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

LONDON

*KPMG Peat Marwick McLintock*

3rd June 1991

Chartered Accountants

COMPUTING DEVICES COMPANY LIMITED  
CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30TH NOVEMBER 1990

|                                                  | <u>Notes</u> | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|--------------------------------------------------|--------------|----------------------|----------------------|
| TURNOVER                                         | 2            | 32,867               | 33,324               |
| COST OF SALES                                    |              | (29,873)             | (28,792)             |
|                                                  |              | -----                | -----                |
| GROSS PROFIT                                     |              | 2,994                | 4,532                |
| ADMINISTRATIVE EXPENSES                          |              | (1,174)              | (1,428)              |
|                                                  |              | -----                | -----                |
| OPERATING PROFIT                                 |              | 1,820                | 3,104                |
| INTEREST RECEIVABLE                              |              | 338                  | 31                   |
| INTEREST PAYABLE AND SIMILAR CHARGES             | 4            | (1,740)              | (320)                |
|                                                  |              | -----                | -----                |
| PROFIT ON ORDINARY ACTIVITIES<br>BEFORE TAXATION | 5            | 418                  | 2,815                |
| TAX ON PROFIT ON ORDINARY ACTIVITIES             | 7            | (89)                 | (996)                |
|                                                  |              | -----                | -----                |
| PROFIT FOR THE FINANCIAL YEAR                    |              | 329                  | 1,819                |
| DIVIDENDS                                        | 8            | -                    | (900)                |
|                                                  |              | -----                | -----                |
| RETAINED PROFIT FOR THE FINANCIAL<br>YEAR        |              | 329                  | 919                  |
|                                                  |              | =====                | =====                |

Details of movements in reserves are shown in note 20 on page 19.

The Notes on pages 7 to 21 form an integral part of the Accounts.

COMPUTING DEVICES COMPANY LIMITED

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AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 30TH NOVEMBER 1990

|                                                          | Note | <u>1990</u>  |                | <u>1989</u>  |                |
|----------------------------------------------------------|------|--------------|----------------|--------------|----------------|
|                                                          |      | <u>Group</u> | <u>Company</u> | <u>Group</u> | <u>Company</u> |
|                                                          |      | £'000        | £'000          | £'000        | £'000          |
| <u>ASSETS EMPLOYED</u>                                   |      |              |                |              |                |
| <u>Fixed Assets</u>                                      |      |              |                |              |                |
| Tangible assets                                          | 9    | 7,412        | -              | 7,747        | -              |
| Investment in subsidiaries                               | 10   | -            | 3,455          | -            | 5,455          |
| Investment in related Company                            | 11   | 96           | -              | 105          | -              |
|                                                          |      | 7,508        | 3,455          | 7,852        | 5,455          |
| <u>Current Assets</u>                                    |      |              |                |              |                |
| Work in progress                                         | 12   | 715          | -              | 412          | -              |
| Debtors                                                  | 13   | 15,261       | 2,211          | 13,266       | 72             |
| Cash at bank and in hand                                 |      | -            | -              | -            | 822            |
|                                                          |      | 15,976       | 2,211          | 13,678       | 894            |
| <u>Current Liabilities</u>                               |      |              |                |              |                |
| Creditors - amounts falling due within one year          | 14   | (13,196)     | (471)          | (12,696)     | (880)          |
| <u>Net Current Assets</u>                                |      | 2,780        | 1,740          | 982          | 14             |
| Total Assets less Current Liabilities                    |      | 10,288       | 5,195          | 8,834        | 5,469          |
| Creditors - amounts falling due after more than one year | 15   | (582)        | (1,500)        | (448)        | (1,500)        |
| Provisions for liabilities and charges                   | 17   | (2,402)      | -              | (1,411)      | -              |
| <u>Net Assets</u>                                        |      | 7,304        | 3,695          | 6,975        | 3,969          |
| <u>FINANCED BY</u>                                       |      |              |                |              |                |
| <u>Capital and Reserves</u>                              |      |              |                |              |                |
| Called-up Share Capital                                  | 19   | 2,000        | 2,000          | 2,000        | 2,000          |
| Profit and Loss Account                                  | 20   | 5,304        | 1,695          | 4,975        | 1,969          |
|                                                          |      | 7,304        | 3,695          | 6,975        | 3,969          |

*W. T. Little-Moore*  
 W. T. LITTLE-MOORE ) The Accounts were approved  
 ) by the Board of Directors  
 ) on 29TH MAY 1991  
*A. C. Turnbull*  
 A.C. TURNBULL )

The notes on pages 7 to 21 form an integral part of these accounts.

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS

## 1. ACCOUNTING POLICIES

- (i) The accounts have been prepared under the historical cost convention.

(ii) Basis of Consolidation

- a) The consolidated accounts include the accounts of Computing Devices Company Limited and its subsidiaries.
- b) The assets, liabilities and results of the related Company, Mass Data Systems Limited, have been included in the accounts under the equity accounting method.
- c) Goodwill arising on consolidation is written off against accumulated reserves.
- d) The Company has not presented its own Profit and Loss Account in accordance with Section 228(7) Companies Act 1985.

(iii) Investments

Investments in subsidiaries are shown in the company's balance sheet at cost less provisions for any permanent diminution in value.

(iv) Depreciation

Depreciation on plant, machinery, and motor vehicles is provided on a straight line basis at 25% per annum. The cost of the leasehold premises is being written off on a straight line basis over a realistic life span (50 years). Depreciation has been provided on freehold buildings, excluding the value of the land, at 2% per annum on a straight line basis.

(v) Long Term Contracts

Profit on long term contracts is recognised as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit is calculated on a prudent basis to reflect the proportion of work carried out at the year end. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Amounts included in cost of sales for long term contracts represent all costs incurred in the year, comprising direct materials and labour plus attributable overheads based on normal level of activity.

Amounts included in turnover for long term contracts represent the sales value of work carried out, calculated as costs incurred plus attributable profit or loss.



COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(Continued)

- (vi) Deferred Taxation  
Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the foreseeable future. Appropriate deductions are made for Advance Corporation Tax payable in respect of proposed dividends.
- (vii) Work in Progress  
Work in progress is valued at the lower of cost and net realisable value.
- (viii) Foreign Currency  
Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or the contract rate if the transaction is covered by a forward exchange contract.
- Assets and liabilities denominated in a foreign currency are translated at the balance sheet date at the exchange rate ruling on that day or if appropriate at the forward contract rate.
- (ix) Warranty  
Provision is made for the estimated cost of work to be performed under manufactured product warranties. Also the Group has continuing unlimited design warranty on all products sold, but provision is only made for any known liability arising under this warranty.
- (x) Research and Development  
Expenditure on research and development is written off against profits in the year in which it is incurred.
- (xi) Leasing Commitments  
Assets obtained under finance leases are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

NOTES ON THE ACCOUNTS  
(Continued)

2.            **TURNOVER**

On short term contracts turnover represents amounts invoiced and authorised during the year net of VAT. On long term contracts turnover is derived from the stage of completion of the contract. Turnover has been wholly derived from the design, production and support of electronic equipment. The analysis of turnover by geographical area is as follows:

|                | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|----------------|----------------------|----------------------|
| United Kingdom | 27,147               | 28,171               |
| Europe         | 565                  | 242                  |
| North America  | 5,021                | 4,899                |
| Australasia    | -                    | 12                   |
| Far East       | 134                  | -                    |
|                | -----                | -----                |
|                | 32,867               | 33,324               |
|                | =====                | =====                |

3.            **STAFF NUMBERS AND COSTS**

The average number of the group's employees (including directors) during the year are as follows:

|                | <u>1990</u> | <u>1989</u> |
|----------------|-------------|-------------|
| Administration | 76          | 57          |
| Production     | 583         | 528         |
|                | =====       | =====       |

The aggregate payroll costs of these employees were as follows :

|                       | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|-----------------------|----------------------|----------------------|
| Wages and salaries    | 9,266                | 7,945                |
| Social security costs | 784                  | 634                  |
| Other pension costs   | 424                  | 370                  |
|                       | =====                | =====                |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(Continued)

## 4. INTEREST PAYABLE AND SIMILAR CHARGES

|                                                                                    | <u>1990</u> | <u>1989</u> |
|------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                    | £'000       | £'000       |
| Bank loans and overdrafts and<br>other loans wholly repayable<br>within five years | 1,594       | 269         |
| Finance charges payable under<br>finance leases                                    | 146         | 51          |
|                                                                                    | -----       | -----       |
|                                                                                    | 1,740       | 320         |
|                                                                                    | =====       | =====       |

## 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This has been wholly derived from the design, production and support of avionic electronic equipment.

Profit before taxation is stated after charging the following :

|                                                     | <u>1990</u> | <u>1989</u> |
|-----------------------------------------------------|-------------|-------------|
|                                                     | £'000       | £'000       |
| Equipment rental                                    | 19          | 55          |
| Depreciation of owned fixed<br>assets               | 950         | 1,058       |
| Depreciation of assets held<br>under finance leases | 405         | 240         |
| Auditors' remuneration                              | 48          | 43          |
| Directors' emoluments                               |             |             |
| As directors                                        | 24          | 24          |
| Remuneration as executives                          | 156         | 135         |
| (See Note 6 below)                                  | =====       | =====       |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(Continued)

## 6. DIRECTORS EMOLUMENTS

Excluding pension contributions, the emoluments of the chairman, who was also the highest paid director, were £83,816 (1989 : £81,197).

The other directors' emoluments were within the following ranges :

|         |           | <u>1990</u> | <u>1989</u> |
|---------|-----------|-------------|-------------|
| £ 0     | - £ 5,000 | 4           | 3           |
| £10,001 | - £15,000 | 1           | 1           |
| £45,001 | - £50,000 | 1           | 1           |

## 7. TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                          | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|----------------------------------------------------------|----------------------|----------------------|
| The charge to taxation comprises:                        |                      |                      |
| Corporation tax on profits for year at 34.3% (1989: 35%) | 522                  | 531                  |
| Adjustment for prior years                               | (589)                | -                    |
|                                                          | ----                 | ----                 |
|                                                          | (67)                 | 531                  |
| Deferred tax (note 18)                                   | 156                  | 465                  |
|                                                          | ----                 | ----                 |
|                                                          | 89                   | 996                  |
|                                                          | =====                | =====                |

## 8.

## DIVIDENDS

|              | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|--------------|----------------------|----------------------|
| Interim paid | -                    | 900                  |
|              | =====                | =====                |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 9. TANGIBLE ASSETS

Group

|                           | <u>Freehold</u><br><u>Land and</u><br><u>Building</u> | <u>Long</u><br><u>Leasehold</u><br><u>Land and</u><br><u>Buildings</u> | <u>Short</u><br><u>Leasehold</u><br><u>Land and</u><br><u>Buildings</u> | <u>Plant</u><br><u>Machinery and</u><br><u>Motor Vehicles</u> | <u>Total</u> |
|---------------------------|-------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------|--------------|
|                           | £'000                                                 | £'000                                                                  | £'000                                                                   | £'000                                                         | £'000        |
| Cost :                    |                                                       |                                                                        |                                                                         |                                                               |              |
| As at 1st December 1989   | 3,656                                                 | 2,228                                                                  | 23                                                                      | 5,589                                                         | 11,496       |
| Additions                 | 55                                                    | -                                                                      | -                                                                       | 987                                                           | 1,042        |
| Disposals                 | -                                                     | -                                                                      | -                                                                       | (166)                                                         | (166)        |
|                           | -----                                                 | -----                                                                  | -----                                                                   | -----                                                         | -----        |
| At 30th November 1990     | 3,711                                                 | 2,228                                                                  | 23                                                                      | 6,410                                                         | 12,372       |
|                           | =====                                                 | =====                                                                  | =====                                                                   | =====                                                         | =====        |
| Depreciation :            |                                                       |                                                                        |                                                                         |                                                               |              |
| As at 1st December 1989   | 55                                                    | 335                                                                    | 2                                                                       | 3,357                                                         | 3,749        |
| Charged in year           | 56                                                    | 46                                                                     | 1                                                                       | 1,252                                                         | 1,355        |
| Depreciation on disposals | -                                                     | -                                                                      | -                                                                       | (144)                                                         | (144)        |
|                           | -----                                                 | -----                                                                  | -----                                                                   | -----                                                         | -----        |
| At 30th November 1990     | 111                                                   | 381                                                                    | 3                                                                       | 4,465                                                         | 4,960        |
|                           | =====                                                 | =====                                                                  | =====                                                                   | =====                                                         | =====        |
| Net Book Value :          |                                                       |                                                                        |                                                                         |                                                               |              |
| At 30th November 1990     | 3,600                                                 | 1,847                                                                  | 20                                                                      | 1,945                                                         | 7,412        |
|                           | =====                                                 | =====                                                                  | =====                                                                   | =====                                                         | =====        |
| At 30th November 1989     | 3,601                                                 | 1,893                                                                  | 21                                                                      | 2,232                                                         | 7,747        |
|                           | =====                                                 | =====                                                                  | =====                                                                   | =====                                                         | =====        |

The net book value of plant and machinery and motor vehicles above of £1,945,000 (1989: £2,232,000) includes an amount of £968,000 (1989: £631,000) in respect of assets held under finance leases. Land with a book value of £890,000 (1989: £890,000) has not been depreciated.

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 10. INVESTMENTS IN SUBSIDIARIES

|                                                | <u>Shares</u><br>£'000 | <u>Loans</u><br>£'000 | <u>Total</u><br>£'000 |
|------------------------------------------------|------------------------|-----------------------|-----------------------|
| As at 1st December 1989                        | 955                    | 4,500                 | 5,455                 |
| Provision for permanent<br>diminution in value | -                      | (2,000)               | (2,000)               |
| As at 30th November 1990                       | 955                    | 2,500                 | 3,455                 |

The subsidiary companies, Computing Devices Hastings Limited and Computing Devices Eastbourne Limited, are wholly owned and incorporated in Great Britain. The principal activity of both subsidiaries is the design, production and support of electronic equipment.

## 11. INVESTMENT IN RELATED COMPANY

|                                     | <u>1990</u><br>£'000 |
|-------------------------------------|----------------------|
| As at 1st December 1989             | 105                  |
| Share of retained loss for the year | (9)                  |
| As at 30th November 1990            | 96                   |

The Company owns 25% of the Ordinary Share Capital and 100% of the Preference Share Capital of Mass Data Systems Limited. The Company's principal activity is the sale of goods and services for oil exploration. Mass Data Systems Limited's year end is 31st October 1990.

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 12. WORK IN PROGRESS

|  | <u>1990</u> | <u>1989</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |

|                                       |       |       |
|---------------------------------------|-------|-------|
| Short term contracts work in progress | 715   | 412   |
|                                       | ===== | ===== |

## 13. DEBTORS

Group

|  | <u>1990</u> | <u>1989</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |

|                                 |        |        |
|---------------------------------|--------|--------|
| Amount recoverable on contracts | 7,722  | 7,282  |
| Trade debtors                   | 7,239  | 5,541  |
| Other debtors                   | 13     | 27     |
| Prepayments                     | 262    | 416    |
| Corporation tax receivable      | 25     | -      |
|                                 | -----  | -----  |
|                                 | 15,261 | 13,266 |
|                                 | =====  | =====  |

Company

|  | <u>1990</u> | <u>1989</u> |
|--|-------------|-------------|
|  | £'000       | £'000       |

|                           |       |       |
|---------------------------|-------|-------|
| Amount owed by subsidiary | 2,138 | -     |
| Prepayments               | 73    | 72    |
|                           | ----- | ----- |
|                           | 2,211 | 72    |
|                           | ===== | ===== |

COMPUTING DEVICES COMPANY LIMITED

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NOTES ON THE ACCOUNTS  
(continued)

14. CREDITORS : Amounts falling due within one year

| <u>Group</u>                                           | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|--------------------------------------------------------|----------------------|----------------------|
| Payments on Account on Long Term                       |                      |                      |
| Contracts                                              | 2,082                | 2,795                |
| Trade creditors                                        | 2,707                | 1,715                |
| Obligations under Finance Leases (Note 16)             | 475                  | 262                  |
| Bank Overdraft                                         | 6,175                | 5,965                |
| Other creditors including taxation and social security | 900                  | 1,547                |
| Accruals                                               | 857                  | 412                  |
|                                                        | -----                | -----                |
|                                                        | 13,196               | 12,696               |
|                                                        | =====                | =====                |

Other creditors including taxation and social security comprises :

|                              |       |       |
|------------------------------|-------|-------|
| Corporation tax              | 115   | 1,120 |
| Other taxes                  | 502   | 212   |
| Social security              | 175   | 153   |
|                              | ----- | ----- |
| Taxation and social security | 792   | 1,485 |
| Other creditors              | 108   | 62    |
|                              | ----- | ----- |
|                              | 900   | 1,547 |
|                              | ===== | ===== |

| <u>Company</u>                                         | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|--------------------------------------------------------|----------------------|----------------------|
| Bank overdraft                                         | 250                  | -                    |
| Amounts due to subsidiaries                            | 121                  | 734                  |
| Other creditors including taxation and social security | 57                   | 62                   |
| Accruals                                               | 43                   | 84                   |
|                                                        | -----                | -----                |
|                                                        | 471                  | 880                  |
|                                                        | =====                | =====                |



COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

|                                                               | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|---------------------------------------------------------------|----------------------|----------------------|
| Other creditors including taxation and Social Security:       |                      |                      |
| Corporation tax                                               | 57                   | 58                   |
| Other creditors                                               | -                    | 4                    |
|                                                               | -----                | -----                |
|                                                               | 57                   | 62                   |
|                                                               | =====                | =====                |
| 15. CREDITORS : Amounts falling due after more than one year. |                      |                      |
| <u>Group</u>                                                  | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
| Obligations under Finance Leases<br>(Note 16)                 | 582                  | 448                  |
|                                                               | =====                | =====                |
| <u>Company</u>                                                | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
| Amount due to subsidiary                                      | 1,500                | 1,500                |
|                                                               | =====                | =====                |
| 16. OBLIGATIONS UNDER FINANCE LEASES                          |                      |                      |
| Maturity of these amounts is as follows:                      |                      |                      |
|                                                               | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
| Amounts payable                                               |                      |                      |
| Within one year                                               | 648                  | 349                  |
| In the second to fifth years inclusive                        | 561                  | 488                  |
|                                                               | -----                | -----                |
|                                                               | 1,209                | 837                  |
| Less: Finance charges allocated<br>to future periods          | (152)                | (127)                |
|                                                               | -----                | -----                |
|                                                               | 1,057                | 710                  |
|                                                               | =====                | =====                |

NOTES ON THE ACCOUNTS  
(continued)

## 17. PROVISION FOR LIABILITIES AND CHARGES

|                                                       | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|-------------------------------------------------------|----------------------|----------------------|
| Warranty                                              | 190                  | 136                  |
| Provision for future losses on<br>long term contracts | 1,235                | 391                  |
| Deferred Taxation (note 18)                           | 977                  | 884                  |
|                                                       | -----                | -----                |
|                                                       | 2,402                | 1,411                |
|                                                       | =====                | =====                |

Due to the nature of provisions for future losses on long term contracts and their method of calculation it is not possible to split the movement on provisions between the utilisation of past provisions and the creation of new provisions. Accordingly the analysis of the movement as required by schedule 4 of the Companies Act 1985 is not given.

## 18. DEFERRED TAXATION

The balance sheet amount for deferred taxation represents the full provision for any future liability:

Group

|                                                     | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|-----------------------------------------------------|----------------------|----------------------|
| Excess of tax allowances<br>over depreciation       | 916                  | 344                  |
| Other timing differences                            | 124                  | 540                  |
|                                                     | -----                | -----                |
|                                                     | 1,040                | 884                  |
| Advance corporation tax                             | (63)                 | -                    |
|                                                     | -----                | -----                |
|                                                     | 977                  | 884                  |
|                                                     | =====                | =====                |
| Balance at 1st December 1989                        | 884                  | 419                  |
| Charge for the year in the<br>profit & loss account | 156                  | 465                  |
|                                                     | -----                | -----                |
| Balance at 30th November 1990                       | 1,040                | 884                  |
|                                                     | =====                | =====                |

COMPUTING DEVICES COMPANY LIMITED

NOTES ON THE ACCOUNTS  
(continued)

19. SHARE CAPITAL

The Share Capital of the company is organised in two classes, Ordinary Shares of 50p each and 'A' Ordinary Shares of 50p each. 'A' Ordinary Shares are convertible into Deferred Shares of 50p each.

|                     | <u>At 30th November</u><br><u>1989 &amp; 1990</u> |               |                    |
|---------------------|---------------------------------------------------|---------------|--------------------|
|                     | <u>Authorised</u><br>Number                       | <u>Number</u> | <u>Issued</u><br>£ |
| Ordinary Shares     | 710,256                                           | 500,000       | 250,000            |
| 'A' Ordinary Shares | 928,571                                           | 928,571       | 464,286            |
| Deferred Shares     | 2,571,429                                         | 2,571,429     | 1,285,714          |
|                     | -----                                             | -----         | -----              |
|                     | 4,210,256                                         | 4,000,000     | 2,000,000          |
|                     | =====                                             | =====         | =====              |

The Company has an approved share option scheme for group employees. The status at 30th November 1990 is:

| Number of Ordinary Shares<br>over which options are<br>outstanding | Price Per<br>Ordinary Share | Exercise Dates |      |
|--------------------------------------------------------------------|-----------------------------|----------------|------|
|                                                                    |                             | From           | To   |
| 11,025                                                             |                             |                |      |
| 8,465                                                              | £ 7.40                      | 1990           | 1995 |
| 8,980                                                              | £12.00                      | 1991           | 1996 |
| 7,725                                                              | £18.50                      | 1992           | 1997 |
|                                                                    | £28.20                      | 1993           | 1998 |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 20. PROFIT AND LOSS ACCOUNT

|                                                                    | <u>Group</u><br>£'000 | <u>Company</u><br>£'000 |
|--------------------------------------------------------------------|-----------------------|-------------------------|
| At 1st December 1989                                               | 4,975                 | 1,969                   |
| Profit for the<br>financial year                                   | 329                   | (274)                   |
|                                                                    | -----                 | -----                   |
| At 30th November 1990                                              | 5,304                 | 1,695                   |
|                                                                    | =====                 | =====                   |
|                                                                    | <u>1990</u>           | <u>1989</u>             |
|                                                                    | £'000                 | £'000                   |
| The (Loss)/Profit dealt with in<br>the accounts of the company was | (274)                 | 1,507                   |
|                                                                    | =====                 | =====                   |

## 21. CAPITAL COMMITMENTS

Group

|                                                      |             |             |
|------------------------------------------------------|-------------|-------------|
|                                                      | <u>1990</u> | <u>1989</u> |
|                                                      | £'000       | £'000       |
| Capital expenditure authorised and<br>contracted     | 137         | 179         |
|                                                      | =====       | =====       |
| Capital expenditure authorised but<br>not contracted | 129         | 411         |
|                                                      | =====       | =====       |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 22. POST BALANCE SHEET EVENTS AND CONTINGENT LIABILITIES

During April 1991 a £1.5 million value contract for delivery to the USA was terminated by the customer on the basis of schedule non-performance by Computing Devices Eastbourne Limited. The company disputes the basis of the termination. As a result of the termination the company incurred a loss of £318,000.

The customer has advised the company that pursuant to US law, under which the contract was written, the customer has the right to hold the company liable for the costs of reprourement of the subject items. This contingent liability has not, as yet, been quantified as the directors are currently reviewing the basis of a counterclaim.

Other contingent liabilities are as follows:

|                                      | <u>1990</u><br>£'000 | <u>1989</u><br>£'000 |
|--------------------------------------|----------------------|----------------------|
| <u>Group</u>                         |                      |                      |
| Guarantee to Customs Authorities     | -<br>=====           | 29<br>=====          |
| <u>Company</u>                       |                      |                      |
| Group VAT registration               | 704                  | 348                  |
| Guarantee of group company overdraft | 6,535<br>=====       | 6,795<br>=====       |

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS  
(continued)

## 23. PENSION

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of financial valuations using the Attained Age Funding Method. Valuations are prepared every three years, the most recent being in June 1990. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that the investment returns would be 9% per annum and that salary increases would average 8% per annum. It was further assumed that the amount of pension which would be received on retirement would be the same in each year of retirement, except for that element of pension which relates to the Guaranteed Minimum Pension earned after 6th April 1988 which will increase at 3% per annum or at the rate of increase of the retail price index, whichever is the lower.

The most recent actuarial valuation showed that the market value of the scheme's assets was £3,225,245 and that the actuarial value of those assets represented 116% of the benefits that have accrued to members, after allowing for expected future increases in pensionable earnings. The contributions of the company and employees will remain at 8.8% and 5% respectively.

COMPUTING DEVICES COMPANY LIMITEDAND ITS SUBSIDIARIESCONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30TH NOVEMBER 1990

|                                                                                          | <u>1990</u> | <u>1989</u> |
|------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                          | £'000       | £'000       |
| <b>SOURCE OF FUNDS</b>                                                                   |             |             |
| Profit ordinary activities before taxation                                               | 418         | 2,815       |
| Adjustment for items not involving the movement of funds:                                |             |             |
| Depreciation                                                                             | 1,355       | 1,298       |
| Finance charge for finance leases                                                        | 146         | 51          |
| Surplus on sale of tangible fixed assets                                                 | (48)        | (13)        |
| Increase in provisions for future losses on contracts and warranty costs                 | 898         | 81          |
| Related Company earnings                                                                 | 9           | 5           |
|                                                                                          | -----       | -----       |
| Funds generated from operations                                                          | 2,778       | 4,237       |
| <b>FUNDS FROM OTHER SOURCES</b>                                                          |             |             |
| Proceeds on sale of tangible fixed assets                                                | 70          | 37          |
| Obligations under leased assets capitalised                                              | 745         | 878         |
|                                                                                          | -----       | -----       |
|                                                                                          | 3,593       | 5,152       |
| <b>APPLICATION OF FUNDS</b>                                                              |             |             |
| Payments of taxation                                                                     | (1,029)     | (1,301)     |
| Purchase of tangible fixed assets                                                        | (1,042)     | (2,983)     |
| Dividends paid                                                                           | -           | (1,602)     |
| Investment in related Company                                                            | -           | (150)       |
| Current instalments due on finance leases                                                | (541)       | (219)       |
|                                                                                          | -----       | -----       |
|                                                                                          | (2,612)     | (6,255)     |
|                                                                                          | -----       | -----       |
|                                                                                          | 981         | (1,103)     |
|                                                                                          | =====       | =====       |
| <b>INCREASE IN WORKING CAPITAL</b>                                                       |             |             |
| Increase in debtors excluding taxation                                                   | 1,970       | 2,933       |
| Increase/(decrease) in work in progress                                                  | 303         | (266)       |
| (Increase)/decrease in creditors excluding corporation tax, dividends and finance leases | (1,082)     | 2,615       |
|                                                                                          | -----       | -----       |
|                                                                                          | 1,191       | 5,282       |
| <b>MOVEMENT IN NET LIQUID FUNDS</b>                                                      |             |             |
| Cash at bank and in hand                                                                 | -           | (420)       |
| Overdraft                                                                                | (210)       | (5,965)     |
|                                                                                          | -----       | -----       |
|                                                                                          | (210)       | (6,385)     |
|                                                                                          | -----       | -----       |
|                                                                                          | 981         | (1,103)     |
|                                                                                          | =====       | =====       |