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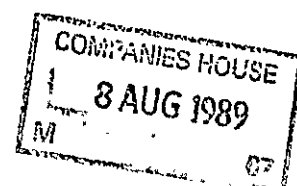
COMPUTING DEVICES COMPANY LIMITED

AND ITS SUBSIDIARY COMPANIES

(FORMERLY COMPUTING DEVICES HOLDINGS LIMITED)

DIRECTORS' REPORT AND ACCOUNTS

30TH NOVEMBER 1988



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 1988. During the year the name of the company has been changed from Computing Devices Holdings Limited to Computing Devices Company Limited. The group has expanded with the formation of a new subsidiary company, Computing Devices Eastbourne Limited.

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.

The group has continued to achieve satisfactory growth during the year and it is now well positioned to win further significant export business. Additional facilities are being constructed and will be occupied early in 1989.

Research and Development

The group has continued to invest significant resources into the design and development of new technologies and products. The success of 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	2,782
Dividends to 'A' ordinary shareholders	
- Interim paid on 31st July 1988	689
- Proposed final dividend payable April 1989	702

Retained profit	1,391
	=====

Land and Buildings

During the year, the group occupied additional short leasehold premises in the vicinity of its main facility in Hastings. The purchase of freehold land and construction of significant additional premises has taken place during the year with occupation being planned for the coming year.

The directors are of the opinion that the market value of leased land and buildings is approximately £4.0 million compared with a book value of £1.9 million.

Directors

The directors who served during the whole of the year were:

B.T. Jones	(Chairman)
W.J. Uttley-Moore	(Managing Director)
M.A. Rowland	
D.J. Dolan	
B.P. Larcombe	
R.G. Hooker	

Beneficial shareholdings of directors were as follows:

30th November 1988 and 1987
Ordinary Shares
of 50p each

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 group company.

Employees

The recruitment and retention 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 Company has a particular interest in disabled people to the extent that the Managing Director is also a director of a Company whose purpose is to provide employment for severely disabled people and the Company'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 the financial position.

The group has maintained its policy of involving all employees in its equity by issuing further share options under the Option Scheme. It is gratifying that 90% of those invited to apply took up their option under the Scheme.

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

A resolution in accordance with Section 384 Companies Act 1985 for the re-appointment of 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

15th December 1988

A. De Herme.
Secretary

REPORT OF THE AUDITORS TO THE MEMBERS OF
COMPUTING DEVICES COMPANY LIMITED

We have audited the accounts on pages 5 to 19 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 1988 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.

Peat Marwick McLintock

London

Peat Marwick McLintock

15th December 1988

Chartered Accountants

COMPUTING DEVICES COMPANY LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30TH NOVEMBER 1988

	<u>Notes</u>	<u>1988</u>	<u>1987</u>
		£'000	£'000
TURNOVER	2	25,972	18,636
COST OF SALES		(20,305)	(14,658)
		-----	-----
GROSS PROFIT		5,667	3,978
ADMINISTRATIVE EXPENSES		(1,798)	(1,396)
		-----	-----
OPERATING PROFIT		3,869	2,582
INTEREST RECEIVABLE		417	654
		-----	-----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	4,286	3,236
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	6	(1,504)	(1,147)
		-----	-----
PROFIT FOR THE FINANCIAL YEAR		2,782	2,089
DIVIDENDS	7	(1,391)	(1,044)
		-----	-----
RETAINED PROFIT FOR THE FINANCIAL YEAR		1,391	1,045
		=====	=====

Details of movements in reserves are shown in note 17 on page 17.

The Notes on pages 7 to 18 form an integral part of the Accounts.

COMPUTING DEVICES COMPANY LIMITEDAND ITS SUBSIDIARIESBALANCE SHEETS AS AT 30TH NOVEMBER 1988

	<u>Note</u>	<u>1988</u>		<u>1987</u>	
		<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>ASSETS EMPLOYED</u>					
<u>Fixed Assets</u>					
Tangible assets	8	6086	-	3148	-
Investment in subsidiaries	9	-	2955	-	950
<u>Current Assets</u>					
Work in progress	10	6334	-	3253	-
Debtors	11	4506	1707	4425	1349
Cash at bank and in hand	12	420	5	5949	1293
		-----	-----	-----	-----
		11260	1712	13627	2642
		=====	=====	=====	=====
<u>Current Liabilities</u>					
Creditors - amounts falling due within one year	13	4516	1305	2421	823
Provision for future costs on uncompleted contracts		5519	-	8644	-
		-----	-----	-----	-----
		10035	1305	11065	823
		=====	=====	=====	=====
<u>Net Current Assets</u>		1225	407	2562	1819
		-----	-----	-----	-----
Total Assets less Current Liabilities		7311	3362	5710	2769
Creditors - amounts falling due after more than one year	14	(1030)	-	(713)	-
Deferred taxation	15	(185)	-	(292)	(8)
		-----	-----	-----	-----
Net Assets		6096	3362	4705	2761
		=====	=====	=====	=====
<u>FINANCED BY</u>					
<u>Capital and Reserves</u>					
Called-up Share Capital	16	2000	2000	2000	2000
Profit and Loss Account	17	4096	1362	2705	761
		-----	-----	-----	-----
		6096	3362	4705	2761
		=====	=====	=====	=====

.....)
 W. J. UTLEY-MOORE) The Accounts were approved
) by the Board of Directors
) on 15th December 1988
 N.A. ROWLAND)

The notes on pages 7 to 18 form an integral part of these accounts.

COMPUTING DEVICES COMPANY LIMITED

NOTES 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, both of which make up their accounts to 30th November each year.
 - b) Goodwill arising on consolidation is written off against accumulated reserves.
 - c) The Company has not presented its own Profit and Loss Account.
- (iii) 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).
- (iv) 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.
- (v) Work in Progress

Work in progress is valued on the basis of cost plus the profit attributable to the stage of completion of the contract less full provision for any anticipated losses and progress payments received. Payments received on account of future work are included within current liabilities. There is an overriding requirement for the accounts to show a true and fair view, and for this reason the attributable profit in long term contract work in progress has been included in accordance with SSAP9, although it constitutes a departure from the statutory valuation rules. As progress payments cannot be allocated between cost and profit it is not possible to determine the effect of the departure on the balance sheet carrying amount of long term contract work in progress.

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(Continued)(vi) Foreign Currency

Balances in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions during the year in foreign currencies are translated into sterling at the rate ruling at the time of the transaction. All differences arising on the translation of currencies have been taken to the profit and loss account.

(vii) Warranty

Provision is made for the estimated cost of work to be performed under manufactured product warranties. Also the Company has a continuing unlimited design warranty on all products sold, but provision is only made for any known liability arising under this warranty.

(viii) Research and Development

Expenditure on research and development is written off against profits in the year in which it is incurred.

2. TURNOVER

Turnover represents amounts invoiced and authorised during the year net of VAT except that on certain uncompleted long term contracts turnover is derived from the stage of completion of the contract. Turnover has been wholly derived from the design and production of electronic digital equipment. The analysis of turnover by geographical area is as follows:

	<u>1988</u>	<u>1987</u>
	£'000	£'000
United Kingdom	25,071	18,635
Europe	-	1
North America	796	-
Australasia	105	-
	-----	-----
	25,972	18,636
	=====	=====

COMPUTING DEVICES COMPANY LIMITED

NOTES ON THE ACCOUNTS
(continued)

3. STAFF NUMBERS AND COSTS

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

	<u>1988</u>	<u>1987</u>
Administration	50	39
Production	446	346
	=====	=====

The aggregate payroll costs of these employees were as follows :

	<u>1988</u> £'000	<u>1987</u> £'000
Wages and salaries	5,824	4,333
Social security costs	451	312
Other pension costs	283	182
	=====	=====

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

Profit before taxation is stated after charging the following :

	<u>1988</u> £'000	<u>1987</u> £'000
Equipment rental	33	34
Depreciation	807	551
Auditors' remuneration	23	17
Directors' emoluments		
As directors	22	22
Remuneration as executives	114	91
(See Note 5 below)	=====	=====

COMPUTING DEVICES COMPANY LIMITED

NOTES ON THE ACCOUNTS
(Continued)

5. DIRECTORS EMOLUMENTS

Excluding pension contributions, the emoluments of the highest paid director were £73,711 (1987 : £55,557). The emoluments of the chairman amounted to £4,000 (1987 : £4,000). The other directors' emoluments were within the following ranges :

	<u>1988</u>	<u>1987</u>
£ 0 - £ 5,000	2	2
£ 5,001 - £10,000	1	1
£30,001 - £35,000	-	1
£40,001 - £45,000	1	-

6. TAXATION

<u>1988</u>	<u>1987</u>
£'000	£'000

The charge to taxation comprises:

Corporation tax on profits for year at 35% (1987: 35%)	1,578	1,153
Deferred tax	(74)	(6)
	<u>1,504</u>	<u>1,147</u>
	=====	=====

7. DIVIDENDS

Interim paid (31st July 1988)
Proposed final

<u>1988</u>	<u>1987</u>
£'000	£'000
689	501
702	543
<u>1,391</u>	<u>1,044</u>
=====	=====

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

8. TANGIBLE ASSETS

Group

	<u>Freehold Building under Construction</u>	<u>Long Leasehold Land and Buildings</u>	<u>Short Leasehold Land and Buildings</u>	<u>Plant Machinery and Motor Vehicles</u>	<u>Total</u>
	£'000	£'000	£'000	£'000	£'000
Cost :					
As at 1st December 1987	-	2,217	-	2,662	4,879
Additions	2,501	11	2	1,260	3,774
Disposals	-	-	-	(71)	(71)
At 30th November 1988	2,501	2,228	2	3,851	8,582
	=====	=====	=====	=====	=====
Depreciation :					
As at 1st December 1987	-	243	-	1,488	1,731
Charged in year	-	46	-	761	807
Depreciation on disposals	-	-	-	(42)	(42)
At 30th November 1988	-	289	-	2,207	2,496
	=====	=====	=====	=====	=====
Net Book Value :					
At 30th November 1988	2,501	1,939	2	1,644	6,086
	=====	=====	=====	=====	=====
At 30th November 1987	-	1,974	-	1,174	3,148
	=====	=====	=====	=====	=====

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)9. INVESTMENT IN SUBSIDIARIES

	<u>1988</u> £'000	<u>1987</u> £'000
As at 1st December 1987	950	950
Additions	5	-
	-----	-----
	955	950
Long term loan to subsidiary	2,000	-
	-----	-----
As at 30th November 1988	2,955	950
	=====	=====

The subsidiary company, Computing Devices Hastings Limited, is wholly owned and incorporated in Great Britain. During the year an additional wholly owned subsidiary was incorporated in Great Britain Computing Devices Eastbourne Limited. The principal activity of both subsidiaries is the design and manufacture of electronic equipment.

10. WORK IN PROGRESS

	<u>1988</u> £'000	<u>1987</u> £'000
Long term contract work in progress	65,809	39,577
Less: Progress payments received/ receivable	(59,475)	(36,324)
	-----	-----
	6,334	3,253
	=====	=====

11. DEBTORSGroup

	<u>1988</u> £'000	<u>1987</u> £'000
Trade debtors	4,200	4,182
Other debtors	24	137
Prepayments	282	106
	-----	-----
	4,506	4,425
	=====	=====

Company

	<u>1988</u> £'000	<u>1987</u> £'000
Amounts owed by subsidiary	1,641	1,326
Prepayments	66	23
	-----	-----
	1,707	1,349
	=====	=====

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

12. CASH

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Cash at bank and in hand	393	4,949
Tax Reserve Certificates	27	1,000
	-----	-----
	420	5,949
	=====	=====

13. CREDITORS : Amounts falling due within one year

<u>Group</u>	<u>1988</u>	<u>1987</u>
	£'000	£'000
Trade creditors	2,240	540
Proposed dividend	702	543
Other creditors including taxation and social security	1,335	1,153
Accruals	239	185
	-----	-----
	4,516	2,421
	=====	=====
Other creditors including taxation and social security comprises :		
Corporation tax	860	846
Advance corporation tax	234	201
Other taxes	112	67
Social security	110	39
	-----	-----
Taxation and social security	1,316	1,153
Other creditors	19	-
	-----	-----
	1,335	1,153
	=====	=====
<u>Company</u>	<u>1988</u>	<u>1987</u>
	£'000	£'000
Proposed dividend	702	543
Amount due to subsidiary	298	-
Other creditors including taxation and social security	266	263
Accruals	39	17
	-----	-----
	1,305	823
	=====	=====

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Other creditors including taxation and Social Security:		
Corporation tax	30	48
Advance corporation tax	234	201
Social security	2	14
	-----	-----
	266	263
	=====	=====

14. CREDITORS : Amounts falling due after more than one year.

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Corporation tax (payable 1st January 1990)	1,030	713
	=====	=====

15. DEFERRED TAXATION

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

Group

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Excess of tax allowances over depreciation	418	468
Other timing differences	1	25
Advance corporation tax	(234)	(201)
	-----	-----
	185	292
	=====	=====
Balance at 1st December 1987	292	326
Charge for the year in the profit & loss account	(74)	(6)
Advance corporation tax	(33)	(28)
	-----	-----
Balance at 30th November 1988	185	292
	=====	=====

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)Company

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Timing differences	-	8
	=====	=====

16. 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. At a meeting on 24th March 1988, it was resolved that 681,818 'A' Ordinary Shares be converted into Deferred Shares.

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

SHARE CAPITAL (continued)

Authorised

	<u>Ordinary Shares Number</u>	<u>'A' Ordinary Shares Number</u>	<u>Deferred 'A' Ordinary Shares Number</u>
At 1st December 1987	710,526	2,000,000	1,500,000
Conversion into deferred shares	-	(681,818)	681,818
At 30th November 1988	710,526	1,318,182	2,181,818

Issued and Fully Paid

	<u>Ordinary Shares Number</u>	<u>'A' Ordinary Shares £</u>	<u>Deferred Shares Number</u>	<u>£</u>
At 1st December 1987	500,000	250,000	1,500,000	750,000
Conversion into deferred shares	-	-	681,818	340,909
At 30th November 1988	500,000	250,000	2,181,818	1,090,909

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

The Company has an approved share option scheme for group employees. The status at 30th November 1988 is:

Number of Ordinary Shares over which options are outstanding	Price Per Ordinary Share	Exercise Dates	
		From	To
11,265	£ 7.40	1991	1996
8,775	£12.00	1992	1997
9,720	£18.50	1993	1998

17. PROFIT AND LOSS ACCOUNT

	<u>Group</u> £'000	<u>Company</u> £'000
At 1st December 1987	2,705	761
Profit for the financial year	2,782	1,992
Dividends paid	(1,391)	(1,391)
At 30th November 1988	<u>4,096</u>	<u>1,362</u>
	<u>1988</u>	<u>1987</u>
The Profit dealt with in the accounts of the company was	<u>1,992</u>	<u>1,756</u>

COMPUTING DEVICES COMPANY LIMITEDNOTES ON THE ACCOUNTS
(continued)

18. CAPITAL COMMITMENTS

Group

	<u>1988</u>	<u>1987</u>
	£'000	£'000
Capital expenditure authorised and contracted	637 =====	823 =====
Capital expenditure authorised but not contracted	136 =====	3,405 =====

19. CONTINGENT LIABILITIES

In the normal course of business the Group has contingent liabilities in respect of guarantees extended to Customs Authorities. At the balance sheet date these amounted to £173,700.

COMPUTING DEVICES COMPANY LIMITEDAND ITS SUBSIDIARYCONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30TH NOVEMBER 1988

	<u>1988</u>		<u>1987</u>	
	£'000	£'000	£'000	£'000
SOURCE OF FUNDS				
Profit before taxation		4,286		3,236
Adjustment for items not involving the movement of funds:				
Depreciation		807		551
Surplus on sale of tangible fixed assets		(15)		(2)
		-----		-----
Funds generated from operations		5,078		3,785
 FUNDS FROM OTHER SOURCES				
Proceeds on sale of tangible fixed assets		45		2
		-----		-----
		5,123		3,787
 APPLICATION OF FUNDS				
Payments of taxation	(1,248)		(672)	
Purchase of tangible fixed assets	(3,775)		(1,089)	
Dividend	(1,232)	(6,255)	(903)	(2,664)
		-----	-----	-----
		(1,132)		1,123
		=====		=====
 INCREASE IN WORKING CAPITAL				
Increase in debtors		81		1,038
Increase in work in progress		3,081		1,082
(Increase)/Decrease in creditors		(1,890)		77
(Increase)/Decrease in provisions for future costs		3,125		(1,690)
Increase/(Decrease) in net liquid funds:				
Cash at bank & in hand		(5,529)		616
		-----		-----
		(1,132)		1,123
		=====		=====