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E-TEC INTERCONNECT (UK) LIMITED

31ST OCTOBER 1997

JULIAN BROWN & CO.

**Chartered Accountants
Registered Auditors
Tunbridge Wells
Kent TN2 5AN**



E-TEC INTERCONNECT (UK) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST OCTOBER 1997

Director: Mr. G. E. Carter

Secretary: Mrs. C. Carter

Registered Office: 46-48 Nelson Road
Tunbridge Wells
Kent TN2 5AN

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E-tec Interconnect (UK) Limited
was incorporated in England on 12th May 1993

Company Registration Number: 2817302

E-TEC INTERCONNECT (UK) LIMITED

Director's Report

The Director presents his Report and the Financial Statements for the year ended 31st October 1997.

Director's Responsibilities

Company law requires the director to prepare accounts 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 accounts, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable him to ensure that the accounts comply with the Companies Act 1985. He is 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.

Principal Activity

The principal activity of the Company in the year under review was the manufacture and distribution of electronic components.

Results and Dividends

An interim dividend of £13,350 per share was paid on 31st October 1997. The Director recommends that no further dividends be paid for the year.

Review of the Business

The state of the Company's affairs is as shown in the attached Financial Statements. The Directors consider the profit achieved on ordinary activities before taxation to be satisfactory.

Director and his Interest

The Director who served during the year and his beneficial interests in the share capital of the Company were as follows:

	<u>31.10.97</u>	<u>31.10.96</u>
G. E. Carter	2	2

E-TEC INTERCONNECT (UK) LIMITED

Director's Report

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Messrs. Julian Brown & Co. be re-appointed auditors will be put to the Annual General Meeting.

This Report has been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

46-48 Nelson Road
Tunbridge Wells
Kent
TN2 5AN

By Order of the Board

C. Carter

Mrs. C. Carter - Secretary

Date: *13th August 1998*

AUDITORS' REPORT

TO THE MEMBERS - E-TEC INTERCONNECT (UK) LIMITED

We have audited the accounts on pages 4 to 10 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities, under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on page 6.

Respective Responsibilities of Directors and Auditors

As described on page 1, the Company's Director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Director in the preparation of the accounts and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the affairs of the Company at 31st October 1997 and of its profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.

JULIAN BROWN & CO.

Chartered Accountants
Registered Auditors



Date: 13th August 1998

E-TEC INTERCONNECT (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST OCTOBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
Turnover	1(d)	353,733	219,696
Cost of sales		182,714	121,934
		-----	-----
Gross Profit		171,019	97,762
Administrative costs		102,210	39,835
		-----	-----
Operating profit	2	68,809	57,927
Interest received		-	9
		-----	-----
		68,809	57,936
Interest payable		4,305	2,315
		-----	-----
<u>Profit on ordinary activities</u> before taxation		64,504	55,621
Tax on profit on ordinary activities	4	7,655	4,650
		-----	-----
<u>Profit</u> for the year		56,849	50,971
Dividend	5	26,700	19,000
		-----	-----
<u>Retained profit</u> for the year		30,149	31,971
Retained profit at the beginning of the year		33,846	1,875
		-----	-----
<u>Retained Profit</u> carried forward		£ 63,995	£ 33,846
		=====	=====

The Notes on pages 6 to 10 form part of these Financial Statements

E-TEC INTERCONNECT (UK) LIMITED

BALANCE SHEET AS AT 31ST OCTOBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
<u>Fixed Assets</u>			
Intangible assets	6	70,796	49,433
Tangible assets	7	24,195	10,488
		-----	-----
		94,991	59,921
<u>Current Assets</u>			
Stocks		44,438	31,017
Debtors	8	127,345	57,755
Cash at bank and in hand			-
		-----	-----
		171,783	88,772
<u>Creditors</u>			
Amounts falling due within one year	9	189,997	103,438
		-----	-----
Net Current Assets/ (Liabilities)		(18,214)	(14,666)
Amounts falling due after more than one year	10	(12,780)	(11,407)
		-----	-----
Net Assets		£ 63,997	£ 33,848
		=====	=====
<u>Capital and Reserves</u>			
Called up share capital	11	2	2
Profit and loss account		63,995	33,846
		-----	-----
Shareholders' Funds		£ 63,997	£ 33,848
		=====	=====

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities.

Signed on behalf of the Board


G. E. Carter - Director

13th August 1998

Date

The notes on pages 6 to 10 form part of these Financial Statements

E-TEC INTERCONNECT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1997

1. Accounting Policies

(a) Basis of Accounting

The Financial Statements have been prepared in accordance with applicable accounting standards under the historical cost convention.

(b) Depreciation

Tangible fixed assets are depreciated over their estimated useful lives at 25% per annum on a reducing balance basis.

(c) Deferred Product Development Expenditure

The Company embarked upon a three year programme of product development from 1st November 1994. Production and administration expenses are being attributed to the product development programme as follows:

		<u>Production</u>	<u>Administration</u>
Year to	31/10/95	70%	40%
	31/10/96	50%	30%
	31/10/97	25%	10%

These deferred expenses will be written off against profits evenly over the five years commencing 1st November 1997. The total of this expenditure over the three year programme is £70,796, and the annual write-off from 1997/98 will therefore be £14,159.

(d) Turnover

Turnover represents net sales value of goods and services sold in the year excluding value added tax.

(e) Foreign Currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(f) Stock

Stock has been valued at the lower of historical cost and estimated net realisable value due provision having been made for obsolete or slow-moving items.

E-TEC INTERCONNECT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1997

(g) Taxation

Corporation tax payable is provided on taxable profits at the rate applicable to the accounting period. Advance corporation tax payable on dividends in the year is written off except where recoverability against corporation tax payable is considered to be reasonably assured.

2. Operating Profit

The operating profit is stated after:	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Depreciation of tangible fixed assets	8,065	3,495
Deferred Product Development expenditure - capitalised	21,363	25,851
expenditure - written off	--	-
Auditors' remuneration	2,000	-
Director's remuneration	8,000	-
	=====	=====

3. Director's Remuneration

	<u>1997</u>	<u>1996</u>
Emoluments	8,000	7,895
Prior year over-provision	-	(22,500)
	-----	-----
	£8,000	£(14,605)
	=====	=====

4. Taxation

The tax charge on the profit on ordinary activities for the year was as follows:

	<u>1997</u>	<u>1996</u>
UK corporation tax at 24% / 21% based on the adjusted results for the year	9,728	1,894
Surplus ACT not immediately recoverable	(2,073)	2,756
	-----	-----
	£ 7,655	£4,650
	=====	=====

5. Dividends

	<u>1997</u>	<u>1996</u>
Interim dividend on £1 ordinary shares	£26,700	£19,000
	=====	=====

E-TEC INTERCONNECT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1997

6. Intangible Fixed Assets

	<u>1997</u>	<u>1996</u>
<u>Deferred Product Development Expenditure</u>		
Cost: as at 1st November 1996	49,433	23,582
Additions	21,363	25,851
	-----	-----
	70,796	49,433
Amounts written off:		
as at 1st November 1996	-	-
written off in year	-	-
	-----	-----
	-	-
	-----	-----
Balance - 31st October 1997	<u>£70,796</u>	<u>£49,433</u>

7. Tangible Fixed Assets

	<u>Tooling and Equipment</u>	<u>Computer</u>	<u>Motor Vehicle</u>	<u>Total</u>
<u>Cost</u>				
As at 1/11/96	17,042	1,603	-	18,645
Additions	8,201	3,064	10,507	21,772
Disposals	-	-	-	-
	-----	-----	-----	-----
As at 31/10/97	<u>£25,243</u>	<u>£4,667</u>	<u>£10,507</u>	<u>£40,417</u>
	=====	=====	=====	=====
<u>Depreciation</u>				
As at 1/11/96	7,456	701	-	8,157
Disposals	-	-	-	-
Charge for year	4,446	992	2,627	8,065
	-----	-----	-----	-----
As at 31/10/97	<u>£11,902</u>	<u>£1,693</u>	<u>£2,627</u>	<u>£16,222</u>
	=====	=====	=====	=====
<u>Net Book Value</u>				
At 31/10/97	<u>£13,341</u>	<u>£2,974</u>	<u>£ 7,880</u>	<u>£24,195</u>
	=====	=====	=====	=====
At 31/10/96	<u>£ 9,586</u>	<u>£ 902</u>	<u>£ -</u>	<u>£10,488</u>
	=====	=====	=====	=====

The net book value of tangible fixed assets includes £8,438 (1996: £744) in respect of assets held under finance leases and hire purchase agreements.

E-TEC INTERCONNECT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1997

8. Debtors

	<u>1997</u>	<u>1996</u>
Trade debtors	125,449	57,312
Prepayments	1,453	-
Corporation tax	443	443
	-----	-----
	£127,345	£57,755
	=====	=====

9. Creditors

	<u>1997</u>	<u>1996</u>
Amounts falling due within one year		
Trade creditors	113,188	44,821
Tax and social security	5,468	19,636
Other creditors and accruals	10,000	12,308
Unpaid Director's remuneration	-	-
Bank loan (current portion)	3,732	3,732
Director's loan account	12,586	211
Hire purchase	3,395	-
	-----	-----
	148,369	80,708
Bank overdraft	27,640	15,547
Corporation tax	13,988	7,183
	-----	-----
	£189,997	£103,438
	=====	=====

10. Creditors

	<u>1997</u>	<u>1996</u>
Amounts falling due after more than one year		
Bank loan	7,675	11,407
Hire purchase	5,105	-
	-----	-----
	£12,780	£11,407
	=====	=====

E-TEC INTERCONNECT (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31ST OCTOBER 1997

11. Called up Share Capital

	<u>1997</u>	<u>1996</u>
Authorised		
100 ordinary shares of £1 each	£100	£100
	<u>=====</u>	<u>=====</u>
Allotted, called up and fully paid		
2 ordinary shares of £1 each	£ 2	£ 2
	<u>=====</u>	<u>=====</u>

12. Controlling Party

Mr. Carter, a director, and members of his close family control the company as a result of controlling directly 100% of the issued ordinary share capital.