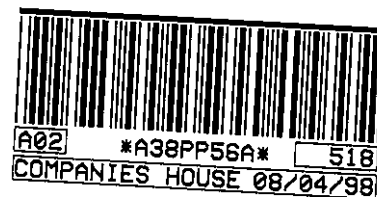


Company Registration No. 2840892

DSB SPECIAL BATTERIES LIMITED

Report and Abbreviated Accounts

Year ended 30 September 1997



Deloitte & Touche
63 High Street
Crawley
West Sussex
RH10 1BQ



REPORT AND ABBREVIATED ACCOUNTS 1997

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

S Bowler
S Boyes
W Li
J Merell (appointed 21 August 1997)

SECRETARY

W Li

REGISTERED OFFICE AND TRADING ADDRESS

Ruben House
Crompton Way
Crawley
West Sussex
RH10 2QR

BANKERS

Barclays Bank Plc
The Gatwick Group
90-92 High Street
Crawley
West Sussex
RH10 1BP

AUDITORS

Deloitte & Touche
Chartered Accountants
63 High Street
Crawley
West Sussex
RH10 1BQ

DIRECTORS' REPORT

The directors present their annual report and the abbreviated accounts for the year ended 30 September 1997.

ACTIVITIES

The principal activity of the company is the design, manufacture and marketing of a wide range of special battery packs and battery charging systems to meet the diverse requirements of industrial, military and consumer markets.

REVIEW OF DEVELOPMENTS

During the year, the business has secured additional forward contracts in both the commercial and defence sectors and traded broadly in line with expectations.

RESULTS AND DIVIDENDS

The profit after tax for the year amounted to £252,750 (1996 - £64,567).

The directors recommend the payment of a final dividend of £6 per ordinary share amounting to £300,000 (1996 - £nil) in respect of the financial year ended 30 September 1997.

FUTURE PROSPECTS

The outlook for the business is exciting with the company's entry into the distribution market planned to commence in early 1998 and the company positioning itself to participate in the battery competition for long term defence communications programmes.

DIRECTORS AND THEIR INTERESTS

The directors' interests in the ordinary shares of the company at 30 September 1997 and 1 October 1996 were as follows:

	30 September 1997	1 October 1996
	No.	No.
S Bowler	13,334	13,334
S Boyes	18,333	18,333
W Li	18,333	18,333

All directors served throughout the year except J Merrell who was appointed on 21 August 1997.

J Merrell was granted 3,000 share options under an approved share scheme on 24 May 1996.

Approved by the Board of Directors
 and signed on behalf of the Board



W Li

Secretary

11 March 1998



DIRECTORS' STATEMENT OF 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 as at the end of the financial year 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;
- 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Chartered Accountants

South East Regional Office
Deloitte & Touche
63 High Street
Crawley
West Sussex RH10 1BQ

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INVESTOR IN PEOPLE

AUDITORS' REPORT TO DSB SPECIAL BATTERIES LIMITED PURSUANT TO PARAGRAPH 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 5 to 17 together with the financial statements of DSB Special Batteries Limited prepared under section 226 of the Companies Act 1985 for the year ended 30 September 1997.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246A(3) of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to the deliver abbreviated accounts prepared in accordance with that section and whether the abbreviated accounts have been properly prepared in accordance with those provisions and to report our opinion to you.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion the company is entitled under sections 247 and 247A of the Companies Act 1985 to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, in respect of the year ended 30 September 1997, and the abbreviated accounts on pages 5 to 17 have been properly prepared in accordance with those provisions.

Deloitte & Touche
Chartered Accountants
and Registered Auditors

12 March 1998

ABBREVIATED PROFIT AND LOSS ACCOUNT
Year ended 30 September 1997

	Note	1997 £	1996 £
Gross profit		2,061,593	1,457,784
Distribution costs		383,956	401,174
Administrative expenses		1,302,921	964,145
Other operating income		(3,437)	(7,316)
OPERATING PROFIT	3	378,153	99,781
Interest payable and similar charges	4	13,597	10,304
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		364,556	89,477
Tax on profit on ordinary activities	5	111,806	24,910
PROFIT FOR THE FINANCIAL YEAR		252,750	64,567
Final dividend proposed	6	(300,000)	-
RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR		(47,250)	64,567

All activities of the company are continuing.

There are no recognised gains and losses for the current or previous financial year other than as stated in the profit and loss account.

**COMBINED STATEMENT OF MOVEMENTS ON RESERVES AND
 MOVEMENTS IN SHAREHOLDERS' FUNDS**
Year ended 30 September 1997

	Share capital £	Capital reserve £	Profit and loss account £	1997 Total £	1996 Total £
At beginning of year	50,000	41,918	814,187	906,105	841,538
Retained (loss)/profit for the financial year	-	-	(47,250)	(47,250)	64,567
Transfer of depreciation on revalued assets	-	(16,743)	16,743	-	-
At end of year	50,000	25,175	783,680	858,855	906,105

NOTE OF HISTORICAL COST PROFITS AND LOSSES
Year ended 30 September 1997

	1997 £	1996 £
Reported profit on ordinary activities before taxation	364,556	89,477
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revaluation amount	16,743	12,347
Historical cost profit on ordinary activities before taxation	381,299	101,824
Historical cost retained (loss)/profit for the year after taxation and dividends	(30,507)	76,914

BALANCE SHEET
30 September 1997

	Note	1997 £	1996 £
FIXED ASSETS			
Tangible assets	7	367,010	313,297
CURRENT ASSETS			
Stocks	8	469,487	554,590
Debtors	9	1,358,454	892,012
Cash at bank and in hand		360,369	41
		2,188,310	1,446,643
CREDITORS: amounts falling due within one year	10	1,629,442	805,698
NET CURRENT ASSETS		558,868	640,945
TOTAL ASSETS LESS CURRENT LIABILITIES		925,878	954,242
CREDITORS: amounts falling due after more than one year	11	67,023	43,333
PROVISIONS FOR LIABILITIES AND CHARGES	12	-	4,804
TOTAL NET ASSETS		858,855	906,105
CAPITAL AND RESERVES			
Called up share capital	13	50,000	50,000
Capital reserve		25,175	41,918
Profit and loss account		783,680	814,187
TOTAL EQUITY SHAREHOLDERS' FUNDS		858,855	906,105

These accounts have been prepared in accordance with the special provisions relating to medium-sized companies under section 246A of the Companies Act 1985.

The financial statements were approved by the Board of Directors on 11 March 1998.

Signed on behalf of the Board of Directors

S Boyes 
Director

CASH FLOW STATEMENT
Year ended 30 September 1997

	Note	1997 £	1996 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	A	607,697	(78,980)
Returns on investments and servicing of finance	B	(13,597)	(10,304)
Taxation		(26,105)	(80,605)
Capital expenditure	B	(129,506)	(124,554)
		438,489	(294,443)
Financing	B	(66,915)	(43,536)
Increase/(decrease) in cash		371,574	(337,979)

NOTES TO THE CASH FLOW STATEMENT
Year ended 30 September 1997

A. RECONCILIATION OF OPERATING PROFIT TO NET
CASH INFLOW/(OUTFLOW)FROM OPERATING ACTIVITIES

	1997	1996
	£	£
Operating profit	378,153	99,781
Depreciation	84,293	54,904
Profit on disposal of fixed assets	(8,500)	-
(Increase)/decrease in stocks	85,103	(159,127)
Decrease/(increase) in debtors	(391,442)	318,169
Increase/(decrease) in creditors	460,090	(392,707)
Net cash (outflow)/inflow from operating activities	<u>607,697</u>	<u>(78,980)</u>

B. GROSS CASH FLOWS

	1997	1996
	£	£
Returns on investment and servicing of finance		
Interest paid	(13,597)	(10,304)
	<u>(13,597)</u>	<u>(10,304)</u>
Capital expenditure		
Purchase of tangible fixed assets	(138,006)	(124,554)
Proceeds on disposal of fixed assets	8,500	-
	<u>(129,506)</u>	<u>(124,554)</u>
Financing		
Capital repayment of finance leases	(26,915)	(3,536)
Repayment of medium term loans	(40,000)	(40,000)
	<u>(66,915)</u>	<u>(43,536)</u>

C. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997	1996
	£	£
Increase/(decrease) in cash in the period	371,574	(337,979)
Cash to repay medium term loan	40,000	40,000
Cash to repay finance leases	26,915	3,536
	<u>438,489</u>	<u>(381,515)</u>
Inception of finance leases	(108,929)	-
Net (debt)/funds at 1 October	(98,064)	283,451
Net funds/(debt) at 30 September	<u>231,496</u>	<u>(98,064)</u>

NOTES TO THE CASHFLOW STATEMENT (Continued)
Year ended 30 September 1997

D. ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 1996 £	Cash flows £	Other changes £	At 30 September 1997 £
Cash at bank and in hand	41	360,328	-	360,369
Bank overdraft	(11,246)	11,246	-	-
	<u>(11,205)</u>	<u>371,574</u>	<u>-</u>	<u>360,369</u>
Debt due within one year	(43,526)	66,915	(85,239)	(61,850)
Debt due after one year	(43,333)	-	(23,690)	(67,023)
	<u>(98,064)</u>	<u>438,489</u>	<u>(108,929)</u>	<u>231,496</u>

NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The abbreviated accounts are prepared under the historical cost convention as modified by the fair value of certain fixed assets.

Tangible fixed assets

Tangible fixed assets acquired as part of the Management Buy Out are stated at fair value to the company at the date of acquisition. The resulting uplift in value was taken to a non distributable capital reserve. All other additions are stated at cost.

Depreciation is provided on the cost or fair value, where appropriate, over the estimated useful lives of the assets. Assets in the course of construction are not depreciated until fully commissioned. The rates of depreciation are as follows:

Fixtures and fittings	20% per annum straight line
Plant and equipment	12½% per annum straight line
Motor vehicles	25% per annum straight line
Computer equipment	33⅓% - 50% per annum straight line

Stocks

Stocks are stated at the lower of cost and net realisable value. In the case of finished goods stock, cost includes attributable production overheads.

Deferred taxation

Deferred taxation is provided on timing differences, arising from the different treatment of items for accounts and taxation purposes, which are expected to reverse in the future, calculated at rates at which it is estimated that tax will arise.

Pension costs

Retirement benefits to employees and directors of the company are provided by a defined contribution scheme. The assets of the scheme are held separately from those of the company, being invested with insurance companies. The pension cost charge of £64,092 (1996 - £55,268) for the year represents contributions payable by the company to the scheme during the year (note 3).

Research and development expenditure

Such expenditure is written off to the profit and loss account as incurred.

Share option schemes

The charge to the profit and loss account is based on the fair value of the shares at the date of the award, less any consideration paid.

NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997

1. ACCOUNTING POLICIES (continued)

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. All translation differences are dealt with in the profit and loss account.

Leases

Operating rentals are charged to profit and loss account in equal amounts over the lease term.

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital amount outstanding.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Aggregate directors' emoluments	224,050	172,457
Aggregate of contributions paid to money purchase pension scheme	28,155	23,394
	<hr/>	<hr/>
	No.	No.
Number of directors who are members of money purchase schemes	4	3
	<hr/>	<hr/>
	£	£
Remuneration of the highest paid director	75,801	62,361
	<hr/>	<hr/>
Contributions paid under money purchase pension scheme in respect of highest paid director	11,309	10,416
	<hr/>	<hr/>
	1997 No.	1996 No.
Average number of persons employed		
Production	63	57
Distribution	5	6
Administration	9	7
	<hr/>	<hr/>
	77	70
	<hr/>	<hr/>


NOTES TO THE ABBREVIATED ACCOUNTS

Year ended 30 September 1997

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	1997 £	1996 £
Staff costs during the year (including directors)		
Wages and salaries	1,355,203	1,100,601
Social security costs	120,481	101,346
Pension costs	64,092	55,268
	<u>1,539,776</u>	<u>1,257,215</u>

There are no material prepayments or accruals at either balance sheet date relating to pensions.

3. OPERATING PROFIT

	1997 £	1996 £
Operating profit is after charging:		
Depreciation:		
Own assets	73,082	52,089
Assets held under finance leases	11,211	2,815
Rentals under operating leases - plant	6,837	4,143
- other	140,359	136,933
Auditors' remuneration	8,500	8,300
Research and development expenditure written off	130,310	56,413
	<u> </u>	<u> </u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
Bank loans, overdrafts and other loans repayable within five years	13,597	10,304
	<u> </u>	<u> </u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
United Kingdom corporation tax at 26.5% (1996 - 25%)	116,522	26,017
Deferred tax	(3,016)	4,804
	<u>113,506</u>	<u>30,821</u>
Adjustment to prior years' tax provision - corporation tax	86	(5,911)
Adjustment to prior years' tax provision - deferred tax	(1,786)	-
	<u>111,806</u>	<u>24,910</u>

The tax charge is higher than anticipated due to the permanent disallowance of expense items included in the profit and loss account and the non recognition of deferred tax assets.


NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997
6. DIVIDENDS PROPOSED

	1997 £	1996 £
Final dividend proposed £6 per ordinary share	300,000	-

7. TANGIBLE FIXED ASSETS

	Plant, machinery and equipment £	Motor vehicles £	Computer equipment £	Total £
Cost or valuation				
At 1 October 1996	382,445	9,295	35,492	427,232
Additions	104,401	-	33,605	138,006
Disposals	(13,209)	-	-	(13,209)
At 30 September 1997	473,637	9,295	69,097	552,029
Depreciation				
At 1 October 1996	102,460	1,356	10,119	113,935
Charge for the year	67,731	2,334	14,228	84,293
Disposals	(13,209)	-	-	(13,209)
At 30 September 1997	156,982	3,690	24,347	185,019
Net book value				
At 30 September 1997	316,655	5,605	44,750	367,010
At 30 September 1996	279,985	7,939	25,373	313,297
Comparable amounts determined according to the historical cost convention				
	£	£	£	£
Cost	383,841	9,295	69,097	462,233
Accumulated depreciation	(92,361)	(3,690)	(24,347)	(120,398)
Net book value				
At 30 September 1997	291,480	5,605	44,750	341,835
At 30 September 1996	238,067	7,939	25,373	271,379

The net book value of plant, machinery and equipment of £367,010 (1996 - £313,297) includes an amount of £72,580 (1996 - £3,526) in respect of assets held under finance leases. Assets were revalued in accordance with note 1.


NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997
8. STOCKS

	1997	1996
	£	£
Raw materials and consumables	356,717	456,154
Work-in-progress	10,492	66,494
Finished goods and goods for resale	102,178	31,942
	<hr/>	<hr/>
	469,487	554,590
	<hr/>	<hr/>

9. DEBTORS

	1997	1996
	£	£
Trade debtors	1,038,936	784,565
Prepayments and accrued income	244,518	107,447
ACT recoverable	75,000	-
	<hr/>	<hr/>
	1,358,454	892,012
	<hr/>	<hr/>

All amounts are due within one year, except for ACT recoverable.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997	1996
	£	£
Bank overdraft	-	11,246
Secured loans - current portion due	40,000	40,000
Obligations under finance leases (note 14(b))	21,850	3,526
Trade creditors	359,491	407,849
Corporation tax	116,522	26,017
ACT payable	75,000	-
Other taxes and social security	376,673	96,492
Dividends payable	300,000	-
Accruals and deferred income	339,906	220,568
	<hr/>	<hr/>
	1,629,442	805,698
	<hr/>	<hr/>

NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1997 £	1996 £
Loans wholly repayable within five years		
1-2 years	3,333	40,000
2-5 years	-	3,333
Obligations under finance leases (note 14(b))	63,690	-
	<u>67,023</u>	<u>43,333</u>

This loan bears interest at a rate of 3% above LIBOR and is secured by a fixed and floating charge over the assets of the company.

12. PROVISIONS FOR LIABILITIES AND CHARGES

The amount to deferred tax provided in the financial statements and the potential amounts not provided are:

	Provided 1997 £	Provided 1996 £	Not provided 1997 £	Not provided 1996 £
Capital allowances in excess of depreciation	15,700	6,756	-	-
Other short term timing differences	(15,700)	(1,952)	-	-
	<u>-</u>	<u>4,804</u>	<u>-</u>	<u>-</u>

The movement in the provision during the year comprises:

	1997 £	1996 £
Balance at 1 October	4,804	-
(Credit)/charge to profit and loss account (note 5)	(3,016)	4,804
Adjustment in respect of prior years	(1,788)	-
Balance at 30 September	<u>-</u>	<u>4,804</u>

13. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised		
55,000 ordinary shares of £1 each	55,000	55,000
Called up, allotted and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000

On 11 March 1998 the authorised share capital was increased to £358,000 by the creation of 295,000 ordinary shares of £1 each and 8,000 A ordinary shares of £1 each.

NOTES TO THE ABBREVIATED ACCOUNTS
Year ended 30 September 1997

14. FINANCIAL COMMITMENTS

	1997 £	1996 £
(a) Capital commitments		
Contracted for but not provided	17,750	4,900
	<u>17,750</u>	<u>4,900</u>

(b) Finance lease obligations

At 30 September 1997 the future minimum lease payments to which the company is committed under finance leases are as follows:

	1997 £	1996 £
Within 1 year	21,850	3,526
Within 1 - 2 years	21,850	-
Within 2 - 5 years	41,840	-
	<u>85,540</u>	<u>3,526</u>

(c) Operating lease commitments

At 30 September 1997, the company was committed to making the following payments during the next year in respect of operating leases:

	Land and buildings £	Other £
Leases which expire:		
Within 1 year	-	1,494
Within 2 to 5 years	99,000	31,318
	<u>99,000</u>	<u>32,812</u>

15. CONTINGENT LIABILITIES

The company has entered into a guarantee in favour of H M Customs & Excise for an amount not exceeding £100,000.

16. RELATED PARTY TRANSACTIONS AND CONTROLLING ENTITY

There are no related party transactions requiring disclosure. The company is controlled by the board of directors.