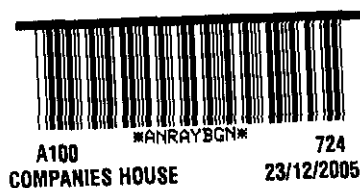


# **Compstock Electronics Limited**

## **Directors' report and financial statements**

**31 March 2005**

Registered number 1208652



# Compstock Electronics Limited

## Directors' report and financial statements

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# Compstock Electronics Limited

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2005.

### Principal activities

The principal activity of the company continues to be the sale and distribution of electronic components.

### Business review

The results for the year are shown in the profit and loss account on page 5. The company continues to develop relationships with new and existing customers.

### Dividend and transfer to reserves

During the year, dividends of £45,000 were paid (2004 Nil). The transfer to reserves is a loss of £165,513 (2004: £45,142 loss).

### Directors and directors' interests

The directors who held office during the year were as follows:

CJ Snowdon	(Chairman)
RJK Beaumont	
MM Lee	
PA Green	
DJ Hart	Resigned 12 <sup>th</sup> July 2004
JS Whyte	(Managing Director)

The directors who held office at the end of the year had the following interests in the ordinary shares of the parent company, as recorded in the register of directors' share and debenture interests.

	Beneficial interest in shares	Conditional rights to shares	Performance related share options	SAYE Scheme options
<b>MM Lee</b>				
At start of year	1,000	-	-	4,181
Granted in year	-	-	-	650
Rights issue adjustment*	-	-	-	220
Lapsed in year	-	-	-	(439)
Disposed in year	(1,000)	-	-	-
At end of year	-	-	-	4,612
<b>JS Whyte</b>				
Granted in the year	-	-	10,287	3,250
At end of year	-	-	10,287	3,250

\* adjustments made to reflect the 1 for 3 rights issue undertaken by UMECO plc in April 2004.

# Compstock Electronics Limited

## Directors' report *(continued)*

The interests of CJ Snowdon and RJK Beaumont in the shares of the ultimate holding company, UMECO plc, are disclosed in the directors' report of that company. No director had any disclosable interest in the shares of the company.

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



**SJ Bowers**

*Secretary*

Concorde House  
24 Warwick New Road  
Leamington Spa  
Warwickshire CV32 5JG

1 June 2005

# Compstock Electronics Limited

## Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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.*

## Independent auditors' report to the members of Compstock Electronics Limited.

We have audited the financial statements on pages 5 to 16.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### *Respective responsibilities of directors and auditors*

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

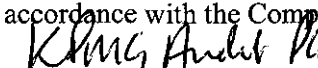
### *Basis of audit opinion*

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 state of the company's affairs at 31 March 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
Chartered Accountants  
Registered Auditor  
Birmingham

1 June 2005

# Compstock Electronics Limited

## Profit and loss account for the year ended 31 March 2005

	<i>Note</i>	<b>2005</b> £	2004 £
<b>Turnover</b>	2	10,843,186	10,467,999
Cost of sales		(8,532,364)	(8,017,712)
<b>Gross profit</b>		<u>2,310,822</u>	<u>2,450,287</u>
Distribution expenses		(254,545)	(263,294)
Administrative expenses			
– including exceptional reorganisation costs of £59,516 (2004: £169,417)		(2,169,683)	(2,216,097)
<b>Operating loss before interest</b>		<u>(113,406)</u>	<u>(29,104)</u>
Other interest receivable and similar income	6	17	-
Interest payable and similar charges	7	-	(2,799)
<b>Loss on ordinary activities before taxation</b>	3	<u>(113,389)</u>	<u>(31,903)</u>
Tax on loss on ordinary activities	8	(7,124)	(13,239)
<b>Loss for the year</b>	18	<u>(120,513)</u>	<u>(45,142)</u>
Dividends paid	9	(45,000)	-
<b>Retained loss for the year</b>		<u>(165,513)</u>	<u>(45,142)</u>
Retained profit brought forward		1,053,731	1,098,873
<b>Retained profit carried forward</b>		<u><u>888,218</u></u>	<u><u>1,053,731</u></u>

The results shown in the profit and loss account derive wholly from continuing operations.

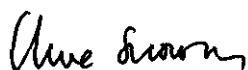
Other than the loss for the year, the company had no recognised gains or losses in either the current or preceding year.

# Compstock Electronics Limited

## Balance sheet as at 31 March 2005

	<i>Note</i>	2005 £	2004 £
<b>Fixed assets</b>			
Tangible assets	<i>10</i>	262,213	329,771
Investments	<i>11</i>	26,793	26,793
		<u>289,006</u>	<u>356,564</u>
<b>Current assets</b>			
Stocks	<i>12</i>	1,432,026	1,388,253
Debtors	<i>13</i>	2,470,918	2,598,810
Cash at bank and in hand		125,766	321,293
		<u>4,028,710</u>	<u>4,308,356</u>
<b>Creditors falling due within one year</b>	<i>14</i>	<u>(2,322,556)</u>	<u>(2,183,734)</u>
<b>Net current assets</b>		1,706,154	2,124,622
<b>Total assets less current liabilities</b>		<u>1,995,160</u>	<u>2,481,186</u>
<b>Creditors falling due after more than one year</b>	<i>15</i>	(66,942)	(387,455)
<b>Net assets</b>		<u>1,928,218</u>	<u>2,093,731</u>
<b>Capital and reserves</b>			
Called up share capital	<i>17</i>	640,100	640,100
Share premium account		399,900	399,900
Profit and loss account		888,218	1,053,731
<b>Shareholders' funds</b>	<i>18</i>	<u>1,928,218</u>	<u>2,093,731</u>
<i>Analysed as:</i>			
Equity interests	<i>18</i>	1,428,218	1,593,731
Non-equity interests	<i>18</i>	500,000	500,000
		<u>1,928,218</u>	<u>2,093,731</u>

These financial statements were approved by the board of directors on 1 June 2005 and were signed on its behalf by:



**CJ Snowdon**  
Director



# Compstock Electronics Limited

## Notes *(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the Company as an individual undertaking and not about its group.

In accordance with FRS 1 (Revised), a cash flow statement has not been prepared on the grounds that the company is a wholly owned subsidiary of a company which presents a consolidated cash flow statement in its accounts.

In accordance with FRS 8, the company is exempt from disclosure of transactions with the parent company and fellow subsidiaries, as the company is wholly owned and consolidated accounts are prepared.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold land and buildings	-	2% per annum
Leasehold premises	-	life of lease
Plant and machinery	-	10 - 25% per annum
Office furniture and equipment	-	10 - 25% per annum
Computers	-	33% per annum
Motor vehicles	-	25% per annum

#### *Foreign Currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and gains and losses on translation are included in the profit and loss account.

#### *Leases*

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

# Compstock Electronics Limited

## Notes (continued)

### 1 Accounting policies (continued)

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

#### *Pension costs*

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value.

#### *Taxation*

The charge for taxation is based on the result for the period and includes full provision for taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

### 2 Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period.

The turnover and pre-tax profit is attributable to the sale and distribution of electronic components.

#### *Analysis of turnover by geographical market*

	2005	2004
	£	£
United Kingdom	10,183,113	9,413,294
Rest of Europe	629,120	1,023,513
Middle East	188	4,637
North America	8,093	24,109
Rest of the World	22,672	2,446
	<u>10,843,186</u>	<u>10,467,999</u>

# Compstock Electronics Limited

## Notes (continued)

### 3 Loss on ordinary activities before taxation

	2005 £	2004 £
<i>Loss on ordinary activities before taxation is stated after charging/(crediting):</i>		
Auditors' remuneration - as auditors	15,387	10,000
Depreciation of tangible fixed assets		
- assets owned	109,623	107,919
- assets held under hire purchase agreements	-	21,973
Profit on disposal of fixed assets	(12,497)	(7,139)
Loss on foreign exchange translation	43,403	71,034
Operating lease charges on land and buildings	97,251	104,547
	=====	=====

### 4 Remuneration of directors

	2005 £	2004 £
Directors' emoluments: remuneration as executives	276,622	233,112
	=====	=====

The company made contributions to defined contribution pension schemes on behalf of the directors' totalling £15,318 (2004: £16,927). Retirement benefits accrued to 4 (2004: 4) directors under a defined contribution scheme. The remuneration of the highest paid director was £80,617 (2004: £69,416) and contributions to a defined contribution pension scheme of £6,360 (2004: £5,863) were made on his behalf.

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	2005	2004
	Number of employees	
Office, management and distribution	48	50
	=====	=====

The aggregate payroll costs of these persons were as follows:

	2005 £	2004 £
Wages and salaries	1,139,661	1,112,903
Social security costs	109,125	105,668
Other pension costs	56,333	51,617
	=====	=====
	1,305,119	1,270,188
	=====	=====

# Compstock Electronics Limited

## Notes (continued)

### 6 Other interest receivable and similar income

	2005 £	2004 £
Other interest receivable	17	-
	<u>17</u>	<u>-</u>

### 7 Interest payable and similar charges

	2005 £	2004 £
Finance charges payable in respect of finance leases and hire purchase contracts	-	2,799
	<u>-</u>	<u>2,799</u>

### 8 Taxation on loss on ordinary activities

	2005 £	2003 £
UK taxation (credit)/charge at 30% (2004: 30%)		
- current year	(11,000)	(10,500)
- prior years	-	20,000
	<u>(11,000)</u>	<u>9,500</u>
Current taxation	(11,000)	9,500
Deferred taxation		
- current year	5,524	2,539
- prior years	12,600	1,200
	<u>18,124</u>	<u>4,239</u>
	<u>7,124</u>	<u>13,239</u>

# Compstock Electronics Limited

## Notes (continued)

### 8 Taxation on loss on ordinary activities (continued)

The current tax (credit)/charge for the year is above the standard rate of UK corporation tax. The reasons for this are as follows:

	2005 £	2004 £
Loss on ordinary activities before taxation	(113,389)	(31,903)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax	(34,017)	(9,571)
Effects of:		
- income and expenditure timing differences	(6,574)	(5,306)
- expenses not deductible for tax purposes	28,541	1,610
- depreciation in excess of capital allowances	1,050	2,767
- adjustments in respect of prior years	-	20,000
	<u>(11,000)</u>	<u>9,500</u>

### 9 Dividends

	2005 £	2004 £
Dividends paid during year	45,000	-

# Compstock Electronics Limited

## Notes (continued)

### 10 Tangible fixed assets

	Fixtures & computers £	Motor vehicles £	Total £
<i>Cost</i>			
At start of year	1,173,102	201,927	1,375,029
Additions	6,669	35,792	42,461
Disposals	-	(71,756)	(71,756)
At end of year	<u>1,179,771</u>	<u>165,963</u>	<u>1,345,734</u>
<i>Depreciation</i>			
At start of year	935,094	110,164	1,045,258
Charge	54,161	55,462	109,623
Disposals	-	(71,360)	(71,360)
At end of year	<u>989,255</u>	<u>94,266</u>	<u>1,083,521</u>
<i>Net book value</i>			
At end of year	<u>190,516</u>	<u>71,697</u>	<u>262,213</u>
At start of year	<u>238,008</u>	<u>91,763</u>	<u>329,771</u>

### 11 Fixed asset investment

	Shares in group undertakings £
Cost at start and end of year	51,793
Provision at start and end of year	(25,000)
Net book value at start and end of year	<u>26,793</u>

The fixed asset investment represents an investment in the entire issued share capital of GW Stewart Holdings Limited, a company incorporated in England. The company has been dormant throughout the current and preceding years.

# Compstock Electronics Limited

## Notes (continued)

12	<b>Stocks</b>		
		<b>2005</b>	2004
		£	£
	Finished goods	1,432,026	1,388,253
		=====	=====

13	<b>Debtors</b>		
		<b>2005</b>	2004
		£	£
	Trade debtors	2,047,403	2,139,303
	Amounts owed by fellow subsidiary undertakings	274,723	276,948
	Prepayments and accrued income	68,295	61,651
	Tax recoverable	70,970	93,257
	Deferred tax (note 16)	9,527	27,651
		-----	-----
		<b>2,470,918</b>	<b>2,598,810</b>
		=====	=====

14	<b>Creditors falling due within one year</b>		
		<b>2005</b>	2004
		£	£
	Trade creditors	1,650,316	1,502,374
	Amounts owed to ultimate parent undertaking	16,541	16,959
	Amounts owed fellow subsidiary undertakings	352,641	352,889
	Other creditors including tax and social security	237,135	145,631
	Accruals and deferred income	65,923	165,881
		-----	-----
		<b>2,322,556</b>	<b>2,183,734</b>
		=====	=====
	<i>Other creditors including tax and social security comprise:</i>		
	Other taxes and social security	237,135	143,049
	Obligations under hire purchase contracts	-	2,582
		-----	-----
		<b>237,135</b>	<b>145,631</b>
		=====	=====

Obligations under finance leases and hire purchase creditors are secured on the assets concerned.

15	<b>Creditors falling due after more than one year</b>		
		<b>2005</b>	2004
		£	£
	Amounts owed to ultimate parent undertaking	66,942	387,455
		=====	=====

# Compstock Electronics Limited

## Notes (continued)

### 16 Deferred tax

	2005 £	2004 £
Opening asset balance	27,651	31,390
Profit and loss account charge	(18,124)	(3,739)
	<hr/>	<hr/>
Closing asset balance	9,527	27,651
	<hr/> <hr/>	<hr/> <hr/>
The closing balance is analysed as follows:		
	2005 £	2004 £
Capital allowances in excess of depreciation	(972)	(2,022)
Other timing differences	10,499	29,673
	<hr/>	<hr/>
	9,527	27,651
	<hr/> <hr/>	<hr/> <hr/>

The liabilities are based upon a rate of 30% (2004: 30%).



# Compstock Electronics Limited

## Notes (continued)

### 17 Share capital

	2005 £	2004 £
<i>Authorised, allotted, called up and fully paid</i>		
Equity - Ordinary shares of £1 each	140,100	140,100
Non-equity - 8.5% cumulative convertible preference shares of £1 each	300,000	300,000
Non-equity - 8.5% cumulative redeemable preference shares of £1 each	200,000	200,000
	<u>640,100</u>	<u>640,100</u>

The cumulative redeemable preference shares are redeemable by the Company at par value in five annual instalments, commencing in 1992 or immediately in the event of a sale of the business or a financing. The Company may also voluntarily redeem the shares at any time. The cumulative convertible preference shares have conversion rights in the event of the sale or refinancing of the business. The conversion rate is to be determined in accordance with a formula detailed in the Articles of Association. Following conversion, the ordinary shares will rank pari passu with other ordinary shares in the Company.

All preference shareholders are entitled to receive a fixed cumulative dividend at the rate of 8.5% per annum on the nominal amount, however the holders of all of the preference shares have waived their entitlement to past and present dividends.

The redeemable preference shares rank ahead of the convertible preference shares as regards return of capital and payment of dividends. After repayment of their nominal value and any accrued unpaid dividend the convertible preference shares have a right of participation in the assets of the Company as though they had been converted into ordinary shares. The preference shares do not carry voting rights unless the preference dividends are in arrears or, in the case of the redeemable preference shares, any redemption instalments due have not been paid. Dividends on ordinary shares are only payable after dividends on preference shares. In the event of any distributions as a result of a winding up of the Company or other return of capital, the ordinary shareholders will be entitled, alongside the convertible preference shareholders, to the balance of any amounts after payments to the preference shareholders.

### 18 Movements in shareholders' funds

	2005 £	2004 £
Loss for the year	(120,513)	(45,142)
Dividends	(45,000)	-
Net change in shareholders' funds	<u>(165,513)</u>	<u>(45,142)</u>
Opening shareholders' funds	2,093,731	2,138,873
Closing shareholders' funds	<u>1,928,218</u>	<u>2,093,731</u>

# Compstock Electronics Limited

## Notes (continued)

### 19 Contingent liabilities

Under a group banking facility, the company is jointly and severally liable for the bank borrowings of certain other group companies. At 31 March 2004 this contingent liability amounted to £57,154,953 (2004: £24,218,755).

Under a group registration facility, the company is jointly and severally liable for value added tax and bank borrowings due by certain other group companies. At 31 March 2004 this contingent liability amounted to £376,884 (2004: £953,822). The company maintains a guarantee of £30,000 (2004: £30,000) in favour of HM Customs and Excise.

### 20 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005 Land and buildings £	2004 Land and buildings £
Leases expiring: - after five years	89,752	89,752
	<u>89,752</u>	<u>89,752</u>

### 21 Pension scheme

Members of this scheme contribute between 2% and 6% of pensionable earnings, with the company making contributions of between 4% and 9%. Contributions amounting to £56,333 (2004: £51,617) were paid to the fund during the period and there were no amounts outstanding at the period end (2004: £nil).

### 22 Ultimate holding company

The ultimate holding company is UMECO plc, a company incorporated in Great Britain and registered in England and Wales.

The results of the company are included in the consolidated accounts of UMECO plc which are available to the public and may be obtained from UMECO plc, Concorde House, 24 Warwick New Road, Leamington Spa, Warwickshire, CV32 5JG. No other group accounts include the results of the company.