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PINEWOOD ELECTRONICS LIMITED

AUDITORS REPORT TO THE DIRECTORS PURSUANT TO SCHEDULE 8 OF THE
COMPANIES ACT 1985

We have examined the Abbreviated Accounts on pages 2 to 5 together with the full financial statements of the Company for the year ended 31st July 1996. The scope of our work for the purpose of this report was limited to confirming that the Company is entitled to the exemptions claimed in the Directors Statement on page 2 and that the Abbreviated Accounts have been properly prepared from the full financial statements.

In our opinion the Company is entitled under Sections 246 & 247 of the Companies Act 1985 to the exemptions conferred by Part III of Schedule 8 to that Act in respect of the year ended 31st July 1996 and the Abbreviated Accounts attached have been properly prepared in accordance with that Schedule.

As the Auditors of the Company we have today reported to the Members on the full financial statements prepared under Section 226 of the Companies Act 1985 for the year ended 31st July 1996. Our Audit Report was as follows:-

"We have audited the financial statements on pages 4 to 8, which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 8.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's Directors are 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 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 reliable and relevant 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 as at 31st July 1996 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.

Robin Cook & Co.

ROBIN COOK & CO.
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITORS
233, HIGH STREET
EPPING
ESSEX
CM16 4BP



COMPANY REGISTRATION NUMBER
ENGLAND - 01742102

DATED: 28TH FEBRUARY 1997

PINEWOOD ELECTRONICS LIMITED

BALANCE SHEET AS AT 31ST JULY 1996

	<u>Notes</u>	<u>1996</u>	<u>1995</u>
<u>Fixed Assets</u>			
Tangible Assets	2	71,283	61,064
Investment at Cost	10	<u>20,166</u>	<u>20,166</u>
		91,449	81,230
<u>Current Assets</u>			
(Amounts due within 1 year)			
Stock on Hand	4	8,787	6,799
Trade Debtors		232,055	259,016
Sundry Debtors & Prepayments		7,667	5,352
Pension Fund Loan		500	267
Cash at Bank		86,487	18,254
Cash in Hand		<u>392</u>	<u>328</u>
		335,888	290,016
<u>Creditors</u>			
(Amounts falling due within 1 year)			
	6	<u>266,742</u>	<u>244,312</u>
<u>Net Current Assets</u>		<u>69,146</u>	<u>45,704</u>
<u>Total Assets Less Current Liabilities</u>		<u>160,595</u>	<u>126,934</u>
<u>Creditors</u>			
(Amounts falling due after more than 1 year)			
Hire Purchase Liability	7	6,800	-
<u>Provision for Liabilities & Charges</u>			
Deferred Taxation Account	8	697	1,066
		£ <u>153,098</u>	£ <u>125,868</u>
<u>Capital & Reserves</u>			
Called Up Share Capital	3	100	100
Profit & Loss Account		<u>152,998</u>	<u>125,768</u>
<u>Shareholders Funds</u>	5	£ <u>153,098</u>	£ <u>125,868</u>

In preparing these abbreviated financial statements the directors have taken advantage of the exemptions conferred by Part III of Schedule 8 to the Companies Act 1985, and have done so on the grounds that, in their opinion, the company is entitled to the exemptions as a small company.

The Directors have taken advantage in the preparation of these financial statements, of the exemptions available under Part 1 of Schedule 8 of the Companies Act 1985, on the grounds that the company qualifies as a 'small company' by virtue of Section 247 of the Companies Act 1985.

THE FINANCIAL STATEMENTS WERE APPROVED BY THE BOARD OF DIRECTORS ON 21ST FEBRUARY 1997 AND SIGNED ON ITS BEHALF.



 D. LACEY - DIRECTOR

PINEWOOD ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JULY 1996

1. ACCOUNTING POLICIES

- a) The accounting policies followed for dealing with material items, in determining the results for the year and for stating the financial position in these accounts, are set out in these notes. Except as stated, these policies remain unchanged from previous years.
- b) The accounts have been prepared under the historical cost convention.
- c) The Company has taken advantage of the exemption in Financial Reporting Standard No. 1 from producing a Cash Flow Statement on the grounds that it is a small company.
- d) The company's turnover for this trading year comprise the invoiced value of goods and services supplied net of VAT and trade discounts. Of this total turnover £21,339 represents exports.

2. FIXED ASSETS (Tangible)

	AS AT			AS AT
<u>Cost</u>	31.7.95	<u>ADDITIONS</u>	<u>DISPOSALS</u>	31.7.96
Motor Vehicles	69,848	45,621	33,230	82,239
Office Fixtures, Fittings & Equipment	45,205	2,902	-	48,107
	<u>115,053</u>	<u>48,523</u>	<u>33,230</u>	<u>130,346</u>
	AS AT	CHARGE FOR	ELIMINATED	AS AT
<u>Depreciation</u>	31.7.95	<u>THE YEAR</u>	<u>ON DISPOSAL</u>	31.7.96
Motor Vehicles	24,726	14,053	12,749	26,030
Office Fixtures, Fittings & Equipment	29,263	3,770	-	33,033
	<u>53,989</u>	<u>17,823</u>	<u>12,749</u>	<u>59,063</u>
<u>Net Book Value</u>	<u>£61,064</u>			<u>£71,283</u>

Depreciation has been charged at the rate of 20% per annum on the reducing balance method.

3. CALLED UP SHARE CAPITAL

Authorised, Issued & Fully Paid 100 Ordinary shares of £1 each.

4. Stock on Hand £8,787 (1995 - £6,799) has been valued by the Directors at the lower of cost or net realisable value after making due allowance for obsolete and slow moving stocks.

PINEWOOD ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JULY 1996

CONTINUED

5.	<u>MOVEMENT IN SHAREHOLDERS FUND</u>	<u>1996</u>	<u>1995</u>
	Profit for the Year after taxation	102,142	81,582
	Dividends Paid	<u>74,912</u>	<u>58,141</u>
		27,230	23,441
	Opening shareholders funds at 1st August 1995	<u>125,868</u>	<u>102,427</u>
	Closing shareholders funds at 31st July 1996	<u>£153,098</u>	<u>£125,868</u>
6.	<u>CREDITORS</u>		
	(Amounts falling due within 1 year)	<u>1996</u>	<u>1995</u>
	Trade Creditors	128,815	133,481
	VAT Liability	21,701	24,342
	Directors Current Account	811	(1,336)
	Social Security & PAYE	28,664	10,809
	Amount due to Subsidiary (Note 10)	24,732	24,732
	Corporation Tax (Note 8)	34,612	23,946
	Hire Purchase Liability (Note 7)	6,756	4,333
	Sundry Accruals	<u>20,651</u>	<u>24,005</u>
		<u>£266,742</u>	<u>£244,312</u>
7.	<u>CREDITORS</u>		
	(Amounts falling due after more than 1 year)	<u>1996</u>	<u>1995</u>
	Hire Purchase Contract:-		
	Amount Payable:		
	Within one year	7,961	-
	Within two to five years	<u>8,213</u>	<u>-</u>
		16,174	-
	<u>Less Finance Charges allocated to</u>		
	Future Periods	<u>2,618</u>	<u>-</u>
		<u>£13,556</u>	<u>£ -</u>
	Hire Purchase Contracts are analysed as follows:-		
	Current Obligations	6,756	-
	Non - Current Obligations	<u>6,800</u>	<u>-</u>
		<u>£13,556</u>	<u>£ -</u>

8. TAXATION

The Company is a close company for taxation purposes within the provisions of the Taxes Act 1988.

Corporation Tax has been provided at the 'small company rate' on the Company's profit after adjusting for non tax deductible expenditure after substituting the available Capital Allowances for the depreciation charged on the company's Fixed Assets.

The Deferred Taxation Account represents a provision at current rates for taxation, on the excess of the Book Value of the Company's Fixed Assets over their written down value for taxation purposes. This excess being as a result of timing difference between the incidence of expenditure for taxation and accounts purposes.

PINEWOOD ELECTRONICS LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST JULY 1996

CONTINUED

9. BANKING FACILITIES

The company has Bank Overdraft facilities which are secured by a Debenture dated 1st November 1983 over the assets of the Company.

10. ASSOCIATED COMPANY

	<u>1996</u>	<u>1995</u>
Owed to Pinewood Electronic Components Limited	<u>£24,732</u>	<u>£24,732</u>

Pinewood Electronic Components Ltd is a wholly owned subsidiary of Pinewood Electronics Ltd. At 31st July 1996 the aggregate of the Share Capital and Reserves of this subsidiary amounted to £24,732 (1995 - £24,732). The subsidiary has been dormant and has not traded throughout this financial year.

11. OPERATING PROFIT

The company's operating profit for the year is after charging the following:-

	<u>1996</u>	<u>1995</u>
	<u>£</u>	<u>£</u>
Directors Remuneration	116,813	51,511
Directors Pension Fund Contributions (Note 12)	15,070	19,158
Auditors Remuneration	4,000	5,000
Depreciation of Tangible Fixed Assets (including adjustment on disposal)	<u>18,804</u>	<u>15,816</u>
The dividend paid was at the following rate per Ordinary share	<u>£849.12</u>	<u>£581.41</u>

12. PENSION FUND COSTS

The company operates various Defined Contribution Pension Schemes for the benefit of certain of its Directors. The assets of these Schemes are held separately from those of the company in independently administered funds.