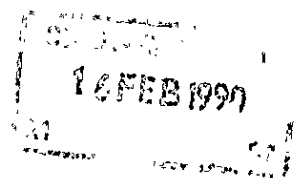


GENERAL MICRONETICS HOLDINGS LIMITED

893 003

REPORT AND ACCOUNTS

30TH SEPTEMBER, 1987



GENERAL MICRONETICS HOLDINGS LIMITED

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GENERAL MICRONETICS HOLDINGS LIMITEDREPORT OF THE DIRECTORSFOR THE YEAR ENDED 30TH SEPTEMBER, 1987

The directors submit their report and group accounts of General Micronetics Holdings Limited for the year ended 30th September 1987.

RESULTS AND DIVIDENDS

The group trading loss for the year, after taxation, was £3,220.

An interim dividend on ordinary shares of 41.67p per share, was paid during the year and the directors do not recommend the payment of a final dividend. The deficit of £13,220 is deducted from reserves.

REVIEW OF THE BUSINESS

The group's principal activities during the year were dealing in electronic and allied equipment and production of cassette recordings. The turnover has increased by £8,301 to £176,201 during the year and the directors expect this trend to continue.

MARKET VALUE OF FREEHOLD PROPERTY

The directors consider the market value of the group's interest in freehold property to be not less than £800,000 which exceeds the aggregate net book value by £689,331. If the freehold property was disposed of at such valuation it is estimated that a taxation liability of £175,000 would arise.

FIXED ASSETS

The movements on fixed assets are shown in Note 10 to the accounts.

DIRECTORS

The directors who held office since 1st October 1986 are as follows:-

R E Underwood
A Dixon

DIRECTORS' INTERESTS IN SHARES

The interests of the directors (including family interests) were as follows:

	<u>Ordinary Shares</u>	
	<u>1st October 1986</u>	<u>30th September 1987</u>
R E Underwood	1,000	1,000
A Dixon	-	-

AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the annual general meeting.

By Order of the Board

Hoperoma Finance Company Ltd.
Secretary

GENERAL MICRONETICS HOLDINGS LIMITEDAUDITORS' REPORTTO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 3 to 12. Our audit was conducted in accordance with approved auditing standards having regard to the matters referred to in the following paragraph.

In common with many businesses of similar size and organisation the company's system of control is dependent upon the close involvement of a director who is also a shareholder. Where independent confirmation of the completeness of the accounting records was therefore not available we have accepted assurances from the director that all the company's transactions have been reflected in the records.

No depreciation has been provided on freehold buildings as required by Statement of Standard Accounting Practice No. 12.

Subject to the foregoing, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30th September 1987 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Fairfax House,
Fulwood Place,
Gray's Inn,
London WC1V 6UB.

5th February 1990



SAFFERY CHAMPNESS

CHARTERED ACCOUNTANTS

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIESCONSOLIDATED PROFIT AND LOSS ACCOUNTYEAR ENDED 30TH SEPTEMBER, 1987

	<u>Notes</u>	1987 £	1986 £
TURNOVER	2	176,201	167,900
Cost of Sales		110,939	99,127
		-----	-----
GROSS PROFIT		65,262	68,773
Other Operating Expenses (Net)	3	59,402	49,441
		-----	-----
OPERATING PROFIT		5,860	19,332
Interest Receivable		99	52
		-----	-----
		5,959	19,384
Interest Payable	4	5,714	4,537
		-----	-----
PROFIT ON ORDINARY ACTIVITIES before Taxation	5	245	14,847
		-----	-----
Taxation	7	3,465	4,262
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES after Taxation	8	(3,220)	10,585
		-----	-----
Dividends paid	9	10,000	10,000
		-----	-----
(LOSS)/PROFIT FOR THE YEAR		(13,220)	585
RETAINED PROFIT AT 1ST OCTOBER 1986		75,259	74,674
		-----	-----
RETAINED PROFIT AT 30TH SEPTEMBER 1987		£62,039	£75,259
		=====	=====
STATEMENT OF RETAINED PROFITS			
Retained in the holding company		25,470	38,690
Retained in the subsidiaries		36,569	36,569
		-----	-----
		£62,039	£75,259
		=====	=====

The notes on pages 7 to 12 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - 30TH SEPTEMBER, 1987

	Notes	1987 £	1986 £
FIXED ASSETS			
Tangible Assets	10	115,190	115,879
CURRENT ASSETS			
Stocks for re-sale		19,000	61,246
Debtors	12	60,623	67,074
Cash at bank		449	2,887
		80,072	131,207
CREDITORS			
Amounts falling due within one year	13	(88,865)	(127,094)
NET CURRENT (LIABILITIES)/ASSETS		(8,793)	4,113
TOTAL ASSETS LESS CURRENT LIABILITIES		106,397	119,992
PROVISIONS FOR LIABILITIES AND CHARGES	15	(12,247)	(12,622)
		£94,150	£107,370
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	24,000	24,000
Share premium		6,000	6,000
Capital Reserve on consolidation		2,111	2,111
Profit and Loss Account		62,039	75,259
		£94,150	£107,370
		=====	=====

The notes on pages 7 to 12 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITEDBALANCE SHEET - 30TH SEPTEMBER, 1987

	<u>Notes</u>	1987 £	1986 £
FIXED ASSETS			
Tangible Assets	10	115,190	115,879
Investments	11	22,964	22,964
		<u>138,154</u>	<u>138,843</u>
CURRENT ASSETS			
Stocks for re-sale		19,000	61,246
Debtors	12	60,623	67,074
Cash at bank		449	2,887
		<u>80,072</u>	<u>131,207</u>
CREDITORS			
Amounts falling due within one year	13	(88,865)	(127,094)
NET CURRENT (LIABILITIES)/ASSETS		<u>(8,793)</u>	<u>4,113</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		129,361	142,956
CREDITORS			
Amounts falling due after more than one year	14	(61,644)	(61,644)
PROVISION FOR LIABILITIES AND CHARGES	15	(12,247)	(12,622)
		<u>£55,470</u>	<u>£68,690</u>
CAPITAL AND RESERVES			
Called-up Share Capital	16	24,000	24,000
Share Premium Account		6,000	6,000
Profit and Loss Account		25,470	38,690
		<u>£55,470</u>	<u>£68,690</u>

Approved by the Board on 5th February, 1990

..... *ABD* Director

..... *P. H. C.* Secretary
CO. LTD. (SECRETARY)
 for MICRONETICS FINANCE

The notes on pages 7 to 12 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 30TH SEPTEMBER, 1987

	1987 £	1986 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	245	14,847
Adjustment for items not involving the movement of funds:		
Depreciation	839	970
	-----	-----
FUNDS GENERATED FROM OPERATIONS	1,084	15,817
APPLICATION OF FUNDS		
Purchase of fixed assets	(150)	(104)
Taxation paid	(4,226)	(6,086)
Dividends paid	(10,000)	(10,000)
	-----	-----
	(14,376)	(16,190)
	-----	-----
NET (ABSORPTION)/SOURCE OF FUNDS	£13,292	£(373)
	=====	=====
THE NET (ABSORPTION)/SOURCE OF FUNDS IS REPRESENTED BY THE FOLLOWING INCREASES/(DECREASES) IN WORKING CAPITAL:-		
Stocks	(42,246)	30,644
Debtors	(6,451)	11,770
Creditors falling due within one year	48,872	(38,195)
	-----	-----
	175	4,219
MOVEMENT IN NET LIQUID FUNDS		
(Decrease)/Increase in cash at bank	(2,438)	2,614
(Increase) in bank overdraft	(11,029)	(7,206)
	-----	-----
	(13,467)	(4,592)
	-----	-----
	£(13,292)	£(373)
	=====	=====

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIESNOTES TO THE ACCOUNTSYEAR ENDED 30TH SEPTEMBER, 1987

1. ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

(b) BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of General Micronetics Holdings Limited and all of its subsidiaries for the year. The company has taken advantage of the exemption from presenting its own profit and loss account.

(c) TANGIBLE FIXED ASSETS

No depreciation has been provided on freehold property.

On all other tangible fixed assets depreciation has been provided on a basis that will write off the book value of those assets within their expected lives as follows:-

Office equipment - 15% on the reducing balance basis

Fixtures and fittings - 20% on the reducing balance basis

(d) STOCKS

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

(e) TURNOVER

Turnover represents the amounts invoiced during the year net of credits, allowances and Value Added Tax.

(f) DEFERRED TAXATION

Deferred taxation represents the net estimated future liability at current rates of tax in respect of depreciation being claimed at a faster rate for tax purposes than that charged in the accounts.

(g) GOODWILL ON CONSOLIDATION

The net surplus of net assets of subsidiary companies over the cost of investment to the holding company at the dates of acquisition is credited to capital reserves in the consolidated balance sheet.

(h) FOREIGN CURRENCIES

Foreign currencies have been converted into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIESNOTES TO THE ACCOUNTSYEAR ENDED 30TH SEPTEMBER, 1987

	1987	1986
2. TURNOVER		
Electronic and allied equipment	174,966	166,518
Production of cassette recordings	1,235	1,382
	-----	-----
	£176,201	£167,900
	=====	=====
The analysis of profit before taxation by class of business has not been given.		
3. OTHER OPERATING EXPENSES (NET)		
Administrative expenses	77,264	65,571
Other operating income	(17,862)	(16,130)
	-----	-----
	£59,402	£49,441
	=====	=====
4. INTEREST PAYABLE		
On bank loans, overdraft and other loans:		
Repayable within 5 years, not by instalments	£5,714	£4,537
	=====	=====

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH SEPTEMBER, 1987

5. PROFIT ON ORDINARY ACTIVITIES BEFORE
TAXATION
is stated after crediting:

	1987	1986
Rent receivable	£17,862 =====	£16,130 =====
And after charging:		
Depreciation of fixed assets	£839	£970
Auditors' remuneration	£2,750 =====	£2,500 =====

6. EMPLOYEES

The average weekly number of
persons employed by the group
during the year was:-

	<u>Number</u>	<u>Number</u>
Selling and management	3 ===	3 ===
Staff costs:-		
Fees and other emoluments	38,482	30,492
Salaries	6,137	3,380
Social security costs	318	237
	----- £44,937 =====	----- £34,109 =====

DIRECTORS' REMUNERATION

Fees	1,000	127
Other emoluments, for management services	38,482	26,725
	----- £39,482 =====	----- £26,852 =====

The number of directors in each range of
emoluments (excluding pension contributions) was:

£ 0 - £5,000	1	2
£25,001 - £30,000	-	1
£35,001 - £40,000	1	-

7. TAXATION

Corporation tax at 28% (1986 - 29.5%) on the
profit for the year:

Current	86	4,423
Deferred	(17)	(42)
Irrecoverable A.C.T.	3,613	-
	----- 3,682	----- 4,381
Adjustments in respect of prior year:		
Corporation tax	141	61
Deferred taxation - change in rate	(358)	(180)
	----- £3,465 =====	----- £4,262 =====

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS

YEAR ENDED 30TH SEPTEMBER, 1987

8. (LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	1987	1986	
Dealt with in the accounts of the Holding company	(3,220)	10,585	
Retained by subsidiary companies	-	-	
	£(3,220)	£10,585	
	=====	=====	
9. DIVIDENDS			
Interim paid of 41.67p per share (1986 - 41.67p per share)	£10,000	£10,000	
	=====	=====	
10. TANGIBLE FIXED ASSETS - GROUP & COMPANY			
	<u>Freehold Property</u>	<u>Equipment & Fixtures</u>	<u>Total</u>
Cost:			
At 1st October 1986	110,669	14,012	124,681
Additions	-	150	150
	-----	-----	-----
At 30th September 1987	£110,669	£14,162	£124,831
	-----	-----	-----
Depreciation:			
At 1st October 1986	-	8,802	8,802
Charge for the year	-	839	839
	-----	-----	-----
At 30th September 1987	£-	£9,641	£9,641
	-----	-----	-----
Net book value at 30th September 1987	£110,669	£4,521	£115,190
	=====	=====	=====
Net book value at 30th September 1986	£110,669	£5,210	£115,879
	=====	=====	=====
11. FIXED ASSET INVESTMENTS - COMPANY	1987	1986	
Investment in subsidiary companies:			
Shares at cost	22,989	22,989	
Less: Amounts written off	25	25	
	-----	-----	
	£22,964	£22,964	
	=====	=====	

The wholly owned subsidiaries of the parent company, which are incorporated in England and have not traded during the year, are:

Micronetics Services Limited
Cassette Developments (Audiosonic) Limited
G.M. Financial Services Limited
G.M. (Marine) Limited

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIESNOTES TO THE ACCOUNTSYEAR ENDED 30TH SEPTEMBER, 1987

12. DEBTORS - GROUP & COMPANY	1987	1986
Due within one year:		
Trade debtors	47,906	54,717
Prepayments and accrued income	12,717	10,837
Other debtors	-	1,520
	-----	-----
	£60,623	£67,074
	=====	=====
13. CREDITORS - GROUP & COMPANY		
Amounts falling due within one year:		
Bank overdraft (secured)	22,446	11,417
Trade Creditors	7,744	62,769
Corporation Tax	338	338
Advance Corporation Tax payable	3,699	4,085
Income tax payable	203	216
Other taxation & social security costs	8,960	1,809
Other creditors	37,781	36,347
Accruals	7,694	10,113
	-----	-----
	£88,865	£127,094
	=====	=====
14. CREDITORS - COMPANY		
Amounts falling due after one year:		
Amounts due to subsidiary companies	£61,644	£61,644
	=====	=====

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIESNOTES TO THE ACCOUNTSYEAR ENDED 30TH SEPTEMBER, 1987

15. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP & COMPANY

	<u>1987</u>		<u>1986</u>	
	<u>Deferred</u>	<u>Taxation Claims</u>	<u>Deferred</u>	<u>Taxation Claims</u>
The movements are:-				
1st October 1986	5,189	7,433	5,411	7,433
Transfer to profit and loss account				
- current	(17)	-	(42)	-
- change in rate	(358)	-	(180)	-
	-----	-----	-----	-----
At 30th September 1987	£4,814	£7,433	£5,189	£7,433
	=====	=====	=====	=====
As Balance Sheet	£12,247		£12,622	
	=====		=====	

Deferred taxation represents the taxation effect of excess capital allowances over depreciation.

16. SHARE CAPITAL	1987	1986
Authorised:		
25,000 £1 ordinary shares	£25,000	£25,000
	=====	=====
Allotted, issued and fully paid:		
24,000 £1 ordinary shares	£24,000	£24,000
	=====	=====

17. FUTURE CAPITAL EXPENDITURE

Contracted but not provided in the accounts	£-	£-
	===	===
Authorised by the directors but not contracted for	£-	£-
	===	===

18. CONTINGENT LIABILITIES

There were no contingent liabilities at 30th September 1987 (1986 - £Nil).

19. DIRECTORS' INTERESTS

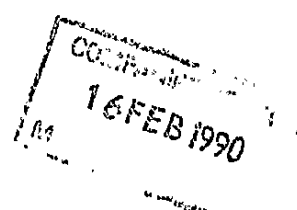
There were no material interests in contacts which are required to be disclosed.

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GENERAL MICRONETICS HOLDINGS LIMITED

REPORT AND ACCOUNTS

30 SEPTEMBER 1988



GENERAL MICRONETICS HOLDINGS LIMITED

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- 1 Report of the Directors
- 2 Auditors Report
- 3 Consolidated Profit & Loss Account
- 4 Consolidated Balance Sheet
- 5 Balance Sheet
- 6 Statement of Source & Application of Funds
- 7-11 Notes to the Accounts

GENERAL MICRONETICS HOLDINGS LIMITED

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 30 SEPTEMBER 1988

The directors submit their report and group accounts of General Micronetics Holdings Limited for the year ended 30 September 1988.

RESULTS AND DIVIDENDS

The group loss for the year after taxation, was £2,722. It was decided that no dividend should be paid for the year.

MARKET VALUE OF FREEHOLD PROPERTY

The directors consider the market value of the group's interest in freehold property to be not less than £800,000 which exceeds the aggregate net book value by £689,331. If the freehold property was disposed of at such valuation it is estimated that a taxation liability of £175,000 would arise.

FIXED ASSETS

The movements on fixed assets are shown in Note 10 to the accounts.

DIRECTORS

The directors who held office since 1 October 1988 are as follows:-

R E Underwood
A S Dixon

DIRECTORS' INTEREST IN SHARES

The interests of the directors (including family interests) were as follows:

	Ordinary Shares	
	1 October 1987	30 September 1988
R E Underwood	1,000	1,000
A S Dixon	-	-

AUDITORS

A resolution to re-appoint Saffery Champness as auditors will be put to the members at the Annual General Meeting.

By Order of the Board

Hoperoma Finance Company Ltd
Secretary

GENERAL MICRONETICS HOLDINGS LIMITED

AUDITORS' REPORT
TO THE MEMBERS OF THE COMPANY

We have audited the financial statements on pages 3 to 11. Our audit was conducted in accordance with approved auditing standards having regard to the matters referred to in the following paragraph.

No depreciation has been provided on freehold buildings as required by Statement of Standard Accounting Practice No. 12.

Subject to the foregoing, in our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 September 1988 and of the results and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

Fairfax House
Fulwood Place
Gray's Inn
London WC1V 6UB

5th February 1990



SAFFERY CHAMPNESS

CHARTERED ACCOUNTANTS

GENERAL MICRONETICS HOLDINGS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 SEPTEMBER 1988

	Notes	Year ended 30.9.88	Year ended 30.9.87
TURNOVER	2	95,178	176,201
Cost of Sales		55,605	110,939
		-----	-----
GROSS PROFIT		39,573	65,262
Other Operating Expenses (Net)	3	39,469	59,402
		-----	-----
OPERATING PROFIT		104	5,860
Interest Receivable		470	99
		-----	-----
		574	5,959
Interest Payable	4	6,628	5,714
		-----	-----
(LOSS)/PROFIT ON ORDINARY ACTIVITIES before Taxation	5	(6,054)	245
		-----	-----
Taxation	7	(3,332)	3,465
		-----	-----
LOSS ON ORDINARY ACTIVITIES after Taxation	8	(2,722)	(3,220)
		-----	-----
Dividends paid	9	-	10,000
		-----	-----
LOSS FOR THE PERIOD		(2,722)	(13,220)
RETAINED PROFIT AT 1 OCTOBER 1987		62,039	75,259
		-----	-----
RETAINED PROFIT AT 30 SEPTEMBER 1988		£59,317	£62,039
		=====	=====
STATEMENT OF RETAINED PROFITS			
Retained in the holding company		59,317	25,470
Retained in the subsidiaries		-	36,569
		-----	-----
		£59,317	£62,039
		=====	=====

The notes on pages 7 to 11 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - 30 SEPTEMBER 1988

	Note	30.9.88	30.9.87
FIXED ASSETS			
Tangible Assets	10	110,669	115,190
CURRENT ASSETS			
Stocks for re-sale		-	19,000
Debtors	12	50,490	60,623
Cash at bank		28	449
		-----	-----
		50,518	80,072
CREDITORS			
Amounts falling due within one year	13	(64,139)	(88,865)
		-----	-----
NET CURRENT LIABILITIES		(13,621)	(8,793)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		97,048	106,397
PROVISIONS FOR LIABILITIES AND CHARGES			
	15	(5,620)	(12,247)
		-----	-----
		£91,428	£94,150
		=====	=====
CAPITAL AND RESERVES			
Called-up share capital	16	24,000	24,000
Share premium		6,000	6,000
Capital Reserve on consolidation		2,111	2,111
Profit and Loss Account		59,317	62,039
		-----	-----
		£91,428	£94,150
		=====	=====



The notes on pages 7 to 11 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

BALANCE SHEET - 30 SEPTEMBER 1988

	Note	30.9.88	30.9.87
FIXED ASSETS			
Tangible Assets	10	110,669	115,190
Investments	11	22,964	22,964
		<u>133,633</u>	<u>138,154</u>
CURRENT ASSETS			
Stocks for re-sale		-	19,000
Debtors	12	50,490	60,623
Cash at bank		28	449
		<u>50,518</u>	<u>80,072</u>
CREDITORS			
Amounts falling due within one year	13	(64,114)	(88,865)
NET CURRENT LIABILITIES			
		<u>(13,596)</u>	<u>(8,793)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		120,037	129,361
CREDITORS			
Amounts falling due after more than one year	14	(25,100)	(61,644)
PROVISION FOR LIABILITIES AND CHARGES			
	15	(5,620)	(12,247)
		<u>£89,317</u>	<u>£55,470</u>
CAPITAL AND RESERVES			
Called-up Share Capital	16	24,000	24,000
Share Premium Account		6,000	6,000
Profit and Loss Account		59,317	25,470
		<u>£89,317</u>	<u>£55,470</u>

Approved by the Board on 5 February 1990

) Director
) Secretary

For HOPERONA FINANCE

CO. LTD. (SECRETARY)

The notes on pages 7 to 11 form part of these accounts.

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED 30 SEPTEMBER 1988

	Year ended 30.9.88	Year ended 30.9.87
SOURCE OF FUNDS		
(Loss)/Profit on ordinary activities before taxation	(6,054)	245
Adjustment for items not involving the movement of funds:		
Movement of provision for claims	(5,433)	
Depreciation	-	
Loss on sale of fixed assets	2,021	839
	<u>(9,466)</u>	<u>1,084</u>
FUNDS (ABSORBED BY)/GENERATED FROM OPERATIONS		
APPLICATION OF FUNDS		
Sale/(purchase) of fixed assets	2,500	(150)
Taxation paid	-	(4,226)
Dividends paid	-	(10,000)
	<u>2,500</u>	<u>(14,376)</u>
NET (ABSORPTION)/SOURCE OF FUNDS	<u>£(6,966)</u>	<u>£(13,292)</u>
THE NET (ABSORPTION)/SOURCE OF FUNDS IS PREPESNTED BY THE FOLLOWING INCREASE/(DECREASES) IN WORKING CAPITAL:-		
Stocks	(19,000)	(42,246)
Debtors	(13,746)	(6,451)
Creditors falling due within one year	23,342	48,872
	<u>(9,404)</u>	<u>175</u>
MOVEMENT IN NET LIQUID FUNDS		
Increase/(Decrease) in cash at bank	(421)	(2,438)
Decrease/(Increase) in bank overdraft	2,859	(11,029)
	<u>2,438</u>	<u>(13,467)</u>
	<u>£(6,966)</u>	<u>£(13,292)</u>

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS
YEAR ENDED 30 SEPTEMBER 1988

1. ACCOUNTING POLICIES

(a) ACCOUNTING CONVENTION

The accounts are prepared under the historical cost convention.

(b) BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of General Micronetics Holdings Limited and all of its subsidiaries for the period. The company has taken advantage of the exemption from presenting its own profit and loss account.

(c) TANGIBLE FIXED ASSETS

No depreciation has been provided on freehold property. On all other tangible fixed assets depreciation has been provided on a basis that will write off the book value of those assets within their expected lives as follows:-

Office equipment - 15% on the reducing balance basis
Fixtures and fittings - 20% on the reducing balance basis

(d) STOCKS

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

(e) TURNOVER

Turnover represents the amounts invoiced during the period net of credits, allowances and Value Added Tax.

(f) DEFERRED TAXATION

Deferred taxation represents the net estimated future liability at current rates of tax in respect of depreciation being claimed at a faster rate for tax purposes than that charged in the accounts.

(g) GOODWILL ON CONSOLIDATION

The net surplus of net assets of subsidiary companies over the cost of investment to the holding company at the dates of acquisition is credited to capital reserves in the consolidated balance sheet.

(h) FOREIGN CURRENCIES

Foreign currencies have been converted into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (continued)
YEAR ENDED 30 SEPTEMBER 1988

2	TURNOVER	1988	1987
	Commissions receivable	5,000	-
	Electronic and allied equipment	84,506	174,966
	Production of cassette recordings	5,672	1,235
		-----	-----
		£95,178	£176,201
		=====	=====
	The analysis of profit before taxation by class of business has not been given		
3	OTHER OPERATING EXPENSES (NET)		
	Administrative expenses	66,160	77,264
	Other operating income	(26,691)	(17,862)
		-----	-----
		£39,469	£59,402
		=====	=====
4	INTEREST PAYABLE		
	On bank loans, overdraft and other loans:		
	Repayable within 5 years, not by instalments	£6,628	£5,714
		=====	=====
5	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION is stated after crediting:		
	Rent receivable	£26,691	£17,862
		=====	=====
	And after charging:		
	Depreciation of fixed assets	-	£839
	Auditors' remuneration	£3,500	£2,750
		=====	=====
6	EMPLOYEES		
	The average weekly number of persons employed by the group during the period was:-		
		Number	Number
	Selling and management	3	3
		===	===
	Staff costs:-		
	Fees and other emoluments	32,896	38,482
	Salaries	4,383	6,137
	Social security costs	175	318
		-----	-----
		£37,454	£44,937
		=====	=====

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (continued)
YEAR ENDED 30 SEPTEMBER 1988

	1988	1987
DIRECTORS' REMUNERATION		
Fees	1,000	1,000
Other emoluments, for management services	32,896	38,482
	-----	-----
	£33,896	£39,482
	=====	=====
The number of directors in each range of emoluments (excluding pension contributions) was:		
£ 0 - £5,000	1	1
£30,000 - £35,000	1	-
£35,001 - £40,000	-	1
7 TAXATION		
Corporation tax at 25% (1987 - 28%) on the profits for the year:		
Current	-	86
Deferred	(917)	(17)
Irrecoverable A C T	-	3,613
	-----	-----
	(917)	3,682
Adjustments in respect of prior year:		
Irrecoverable ACT written back	(3,613)	
Corporation tax	1,475	141
Deferred taxation - change in rate	(277)	(358)
	-----	-----
	£(3,332)	£3,465
	=====	=====
8 LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		
Dealt with in the accounts of the Holding company		
	(4,860)	(3,220)
Retained by subsidiary companies	-	-
	-----	-----
	£(4,860)	£(3,220)
	=====	=====
9 DIVIDENDS		
No interim paid		
(1987 41.67p per share)	£-	£10,000
	==	=====

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (continued)
YEAR ENDED 30 SEPTEMBER 1988

10 TANGIBLE FIXED ASSETS - GROUP & COMPANY

	Freehold Property	Equipment & Fixtures	Total
Cost:			
At 1 October 1987	110,669	14,162	124,831
Disposals	-	(14,162)	(14,162)
	-----	-----	-----
At 30 September 1988	£110,669	£-	£110,669
	-----	-----	-----
Depreciation:			
At 1 October 1987	-	9,641	9,641
On disposals	-	(9,641)	(9,641)
	-----	-----	-----
At 30 September 1988	£-	£-	£-
	-----	-----	-----
Net book value at 30 September 1988	£110,669	£-	£110,669
	=====	=====	=====
Net book value at 30 September 1987	£110,669	£-	£110,669
	=====	=====	=====

11 FIXED ASSETS INVESTMENTS - COMPANY

	1988	1987
Investment in subsidiary companies		
Shares at cost	22,989	22,989
Less: Amounts written off	25	25
	-----	-----
	£22,964	£22,964
	=====	=====

The wholly owned subsidiaries of the parent company, which are incorporated in England and have not traded during the year, are:

Petern Limited (formerly Micronetics Services Limited)
Cassette Developments (AudioSonic) Limited
G M Financial Services Limited
G M (Marine) Limited

12 DEBTORS - GROUP & COMPANY

	1988	1987
Due within one year:		
Trade debtors	7,836	47,906
Prepayments and accrued income	28,747	12,717
Other debtors	10,294	-
ACT recoverable	3,613	-
	-----	-----
	£50,490	£60,623
	=====	=====

GENERAL MICRONETICS HOLDINGS LIMITED & SUBSIDIARY COMPANIES

NOTES TO THE ACCOUNTS (continued)
YEAR 30 SEPTEMBER 1988

13 CREDITORS - GROUP & COMPANY

Amounts falling due within one year:	1988	1987
Bank overdraft (secured)	19,587	22,446
Trade Creditors	1,254	7,744
Corporation Tax	1,813	338
Advance Corporation Tax payable	3,699	3,699
Income tax payable	982	203
Other taxation & social security costs	500	8,960
Other creditors	31,272	37,781
Accruals	5,032	7,694
	<u>£64,139</u>	<u>£88,865</u>
	=====	=====

14 CREDITORS - COMPANY

Amounts falling due after one year:		
Amounts due to subsidiary companies	£61,664	£61,664
	=====	=====

15 PROVISIONS FOR LIABILITIES AND CHARGES - GROUP & COMPANY

	1988		1987	
	Deferred Taxation	Claims	Deferred Taxation	Claims
This movements are:-				
1 October 1987	4,814	7,433	5,189	7,433
Transfer to profit and loss account				
- current	(917)	(5,433)	(17)	-
- change in rate	(277)	-	(358)	-
	<u>£3,620</u>	<u>£2,000</u>	<u>£4,814</u>	<u>£7,433</u>
	=====	=====	=====	=====
At 30 September 1988				
As Balance Sheet	£5,620		£12,247	
	=====		=====	

Deferred taxation represents the taxation effect of excess capital allowances over depreciation.

16 SHARE CAPITAL

	1988	1987
Authorised:		
25,000 £1 ordinary shares	£25,000	£25,000
	=====	=====
Allotted, issued and fully paid:		
24,000 £1 ordinary shares	£24,000	£24,000
	=====	=====