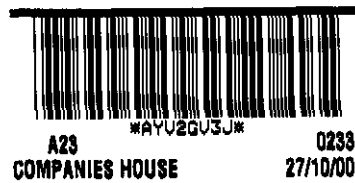


Registered number
966797

Densitron Europe Limited

Report and Accounts

31 December 1999



Densitron Europe Limited
Report and accounts
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Densitron Europe Limited Company Information

Directors

R M Tietjen
T Pearson
N How
G Mullins
C Nye

Secretary

I D Sibson

Auditors

RSM Robson Rhodes
186 City Road
London
EC1V 2NU

Bankers

Barclays Bank PLC
80 High Street
Sevenoaks
Kent TN13 1LR

Registered office

Unit 4
Airport Trading Estate
Biggin Hill
Kent TN16 3BW

Registered number

966797

Densitron Europe Limited

Directors' Report

The directors present their report and accounts for the year ended 31 December 1999.

Principal activities

The principal activities of the company are unchanged from last year and are:

- i) the sale of electronic products in the UK and Europe.
- ii) the provision of management and technical services for subsidiary undertakings.

Results and dividends

The loss for the year, after taxation, amounted to £316,146, this loss has been transferred to reserves. The directors are unable to recommend the payment of a dividend.

Business review and future developments

The results for the year were extremely disappointing but not entirely unexpected. A downturn in orders during 1998 meant that 1999 was always going to be a difficult year. The directors were confident that this was only a short term problem and took the decision, rather than to cut overheads, to invest in the infrastructure of the company to ensure it was in a position to exploit opportunities once market conditions improved.

This strategy has paid off and the company enters the new year with an exceptional order backlog which gives the directors confidence for the results of the ensuing year.

Year 2000

With regard to the well publicised millenium bug problem, the Board can report that no problems have been encountered subsequent to the year end and no problems are anticipated. Consequently the company is unlikely to suffer any additional future costs additional future costs.

Directors

The present directors of the company are set out on page 1. All of the directors served throughout the year unless otherwise stated below. The number of shares of the parent company, Densitron Technologies plc (formerly Densitron International PLC), in which each director was beneficially interested at 31 December was:

	5p Ordinary shares	
	1999	1998
R M Tietjen	20,000	26,000
T Pearson (Appointed 11 August 1999)	-	-
N How (Appointed 11 August 1999)	-	-
G Mullins (Appointed 11 August 1999)	5,000	5,000
C Nye (Appointed 11 August 1999)	-	-
J Tingey resigned as a director on 23 June 1999.		

None of the directors had any interest in the shares of the company during the year.

Densitron Europe Limited

Directors' Report

Directors' responsibilities

Company law requires the directors 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 for that period. In preparing these accounts, the directors have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

The directors are responsible for maintaining 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 accounts 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.

Payment of creditors

The company does not follow any published code or statement on payment practice. However, it is the company's policy to settle all amounts due to its creditors on a timely basis, taking into account the credit period given by each creditor.

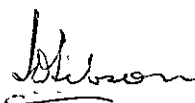
Auditors

The auditors, RSM Robson Rhodes changed their name on 18 October 1999 and accordingly have signed the audit report using their new name.

RSM Robson Rhodes have expressed their willingness to continue in office and are expected to be deemed to be re-appointed in accordance with the elective resolution currently in force.

Approval

The report of the directors was approved by the Board on 5 April 2000 and signed on its behalf by:



Ian Daniel Sibson
Director

Densitron Europe Limited

Auditors' Report

Report of the auditors to the shareholders of Densitron Europe Limited

We have audited the accounts on pages 5 to 17 which have been prepared on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 directors 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 accounts 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 accounts give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

RSM Robson Rhodes
Chartered Accountants and Registered Auditor

186 City Road
London
EC1V 2NU

5 April 2000

Densitron Europe Limited
Profit and Loss Account
for the year ended 31 December 1999

	Notes	1999 £	1998 £
Turnover - continuing operations	2	5,009,138	5,583,911
Cost of sales		(3,985,817)	(4,022,367)
Gross profit		<u>1,023,321</u>	<u>1,561,544</u>
Administrative expenses		(1,220,796)	(1,151,045)
Other operating income	3	10,636	15,991
Other operating expenditure	4	(19,603)	(21,688)
Operating (loss)/profit - continuing operations	5	<u>(206,442)</u>	<u>404,802</u>
Interest receivable		-	6,597
Interest payable	8	(103,200)	(121,387)
(Loss)/profit on ordinary activities before taxation		<u>(309,642)</u>	<u>290,012</u>
Tax on (loss)/profit on ordinary activities	9	(6,504)	-
(Loss)/profit for the financial year		<u>(316,146)</u>	<u>290,012</u>
Dividends paid	10	-	(300,000)
Retained loss for the financial year	21	<u>(316,146)</u>	<u>(9,988)</u>

Densitron Europe Limited
Balance Sheet
as at 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Intangible assets	11	164,999	86,911
Tangible assets	12	165,185	133,917
Investments	13	585,667	643,852
		<u>915,851</u>	<u>864,680</u>
Current assets			
Stocks	14	308,395	358,544
Debtors	15	1,981,165	1,364,382
Cash at bank and in hand		81,071	46,344
		<u>2,370,631</u>	<u>1,769,270</u>
Creditors: amounts falling due within one year	16	(3,006,100)	(2,011,033)
Net current liabilities		<u>(635,469)</u>	<u>(241,763)</u>
Total assets less current liabilities		<u>280,382</u>	<u>622,917</u>
Creditors: amounts falling due after more than one year	17	(39,769)	(29,233)
		<u>240,613</u>	<u>593,684</u>
Capital and reserves			
Called up share capital	19	435,225	435,225
Capital redemption reserve	20	7,800	7,800
Profit and loss account	21	(202,412)	150,659
Equity shareholders funds	22	<u>240,613</u>	<u>593,684</u>

The financial statements were approved by the Board on 5 April 2000 and signed on its behalf by:


Rodney Michael Tietjen
Director

Densitron Europe Limited
Statement of total recognised gains and losses
for the year ended 31 December 1999

	Notes	1999 £	1998 £
(Loss)/profit for the financial year		(316,146)	290,012
Exchange adjustments		(36,925)	18,781
Total recognised gains and losses related to the year		<u>(353,071)</u>	<u>308,793</u>

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

1 Accounting policies

The following accounting policies have been applied consistently by the company on items which are considered material.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost convention.

Preparation of financial statements

The company has not prepared consolidated financial statements as it is a wholly owned subsidiary of Densitron Technologies plc (formerly Densitron International PLC), a company incorporated in Great Britain. As a result the financial statements present information about the company and not its group.

Turnover

Turnover is the amount receivable by the company in the ordinary course of business, exclusive of Value Added Tax.

Commercial development expenditure

Development expenditure on specific projects is carried forward when the recoverability can be foreseen with reasonable certainty and it is amortised on the basis of anticipated sales from the projects or over five years whichever is shorter.

Depreciation

Depreciation is provided evenly on the cost of tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. the principal annual rates used are:

Plant and machinery	15%
Office equipment, fixtures and fittings	10%
Motor vehicles	20%
Computers and peripheral equipment	15-25%

Stocks

Stocks and work in progress are valued at the lower of cost and estimated realisable value. Cost is determined on a first-in first-out basis. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Densitron Europe Limited

Notes to the Accounts

for the year ended 31 December 1999

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase agreements are included in the balance sheet and depreciated in accordance with the company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding.

Pensions

Defined contribution are made by the company to certain individual employees' personal pension plans. The pension cost charge represents contributions payable in the year.

Taxation

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes.

Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

2 Turnover

Analysis by geographical market:

	1999	1998
	£	£
United Kingdom	1,576,786	2,170,020
Europe	3,409,045	3,405,370
USA	9,605	1,970
Asia	8,555	1,536
Rest of the world	5,147	5,015
	<u>5,009,138</u>	<u>5,583,911</u>

3 Other operating income

	1999	1998
	£	£
Commission receivable	10,636	15,991
	<u>10,636</u>	<u>15,991</u>

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

4 Other operating expenditure	1999	1998
	£	£
Commission payable	7,803	5,219
Charges from group undertakings	634	4,083
Exchange losses	11,166	12,386
	<u>19,603</u>	<u>21,688</u>
 5 Operating loss	 1999	 1998
	£	£
This is stated after charging:		
Depreciation	17,271	12,634
Depreciation of assets held under finance leases and Hire purchase contracts	27,804	20,287
Amortisation	44,374	-
Auditors' remuneration	<u>14,000</u>	<u>12,000</u>
 6 Directors' emoluments	 1999	 1998
	£	£
Emoluments	91,155	48,350
Company contributions to money purchase pension schemes	<u>4,431</u>	<u>1,855</u>
	<u>95,586</u>	<u>50,205</u>
 7 Staff costs	 1999	 1998
	£	£
Wages and salaries	371,799	316,245
Social security costs	32,692	32,214
Other pension costs	<u>17,091</u>	<u>14,746</u>
	<u>421,582</u>	<u>363,205</u>
 Average number of employees during the year	 Number	 Number
Administration	8	8
Development	2	-
Sales	<u>10</u>	<u>10</u>
	<u>20</u>	<u>18</u>

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

8 Interest payable	1999	1998
	£	£
Bills of exchange interest	60,143	75,497
Bank interest	14,831	1,087
Hire purchase interest	6,341	5,753
Factor discount charge	21,885	39,050
	<u>103,200</u>	<u>121,387</u>
 9 Taxation	 1999	 1998
	£	£
UK corporation tax relating to previous periods	<u>6,504</u>	<u>-</u>
During the year the company made tax losses of approximately £245,000 which have been utilised elsewhere in the group.		
 10 Equity dividends	 1999	 1998
	£	£
£Nil (£0.689299) per ordinary share	<u>-</u>	<u>300,000</u>
 11 Intangible fixed assets		£
Design and development		
Cost		
At 1 January 1999		102,016
Additions		122,462
At 31 December 1999		<u>224,478</u>
Amortisation		
At 1 January 1999		15,105
Provided during the year		44,374
At 31 December 1999		<u>59,479</u>
Net book value		
At 31 December 1999		<u>164,999</u>
At 31 December 1998		<u>86,911</u>

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

12 Tangible fixed assets

	Computers and peripherals £	Plant and machinery £	Equipment and fittings £	Motor vehicles £	Total £
Cost					
At 1 January 1999	42,517	6,805	30,708	129,050	209,080
Additions	20,854	-	8,442	68,172	97,468
Disposals	-	-	-	(39,753)	(39,753)
Assets written out	(4,225)	-	(2,078)	-	(6,303)
At 31 December 1999	59,146	6,805	37,072	157,469	260,492
Depreciation					
At 1 January 1999	20,204	4,109	14,715	36,135	75,163
Charge for the year	10,374	1,021	3,092	30,588	45,075
On disposals	-	-	-	(18,628)	(18,628)
Assets written out	(4,225)	-	(2,078)	-	(6,303)
At 31 December 1999	26,353	5,130	15,729	48,095	95,307
Net book value					
At 31 December 1999	32,793	1,675	21,343	109,374	165,185
At 31 December 1998	22,313	2,696	15,993	92,915	133,917
				1999	1998
				£	£
Net book value of tangible fixed assets held under hire purchase agreements				107,055	87,812

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

13 Investments

	Subsidiary undertakings £	Associated undertakings £	Total £
Cost			
At 1 January 1999	656,822	500	657,322
Exchange adjustments	(36,928)	-	(36,928)
Disposals	(21,257)	-	(21,257)
	<u>598,637</u>	<u>500</u>	<u>599,137</u>
Provisions			
At 1 January 1999 and at 31 December 1999	<u>(12,970)</u>	<u>(500)</u>	<u>(13,470)</u>
Net book value			
At 31 December 1999	<u>585,667</u>	<u>-</u>	<u>585,667</u>
At 31 December 1998	<u>643,852</u>	<u>-</u>	<u>643,852</u>

The directors believe that the aggregate value of the Company's assets consisting of shares in or amounts owed by Group undertakings is not less than the aggregate of the amounts included in the Company's balance sheet.

During the course of the year the Company disposed of a:

20% holding in Densitron Advanced Electronics Limited (Formerly Perdix Components Limited),

9% holding in Densitron France.

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

13 Investments (continued)

The principal subsidiaries (all wholly owned unless otherwise stated) and associated undertakings of the Company are listed below. With the exception of Densitron France and Densitron Nordic Oy all investments are incorporated in Great Britain and registered in England and Wales.

Subsidiary undertaking	Class of Shares	Nature of business
Densitron Advanced Electronics Ltd (formerly Perdix Components Ltd) (80%)	£1 ord	Sale of computer equipment
March Microwave Ltd	£1 ord	Dormant Company
Kentec Ltd	£1 ord	Dormant Company
Art Communique Ltd	£1 ord	Dormant Company
Densitron Internet Services Ltd	£1 ord	Provision of internet services
Cardtek Ltd	£1 ord	Dormant Company
Densitron Computer Systems Ltd	£1 ord	Dormant Company
New Ability Systems Ltd (50%)	£1 ord	Dormant Company
Densitron Computers Ltd	£1 ord	Design and manufacture of electronic information systems
Densitron France (90%)	Ff1 ord	Sale of electronic products in France
Densitron Software Ltd (52%)	£1 ord	(i) Importation and distribution of electronic and computer related products (ii) Design, development and sale of computer software
Densitron Nordic Oy (80%)	FM100 ord	Sale of electronic products in Finland
Densitron Deutschland GmbH	DM1 ord	Sale of electronic products in Germany
Densitron Control Systems Ltd (90%)	£1 ord	Promotion of trading between UK and Europe

Densitron Europe is exempt from the obligation of preparing and delivering group accounts as group accounts are drawn up by its parent (Note 25).

14 Stocks

	1999	1998
	£	£
Finished goods and goods for resale	308,395	353,544
computer stock	-	5,000
	<u>308,395</u>	<u>358,544</u>

The replacement cost of the above stocks would not be significantly different from the values stated.

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

15 Debtors	1999	1998
	£	£
Trade debtors	621,958	363,360
Amounts owed by group undertakings	1,315,631	961,384
Other debtors	35,151	14,657
Prepayments and accrued income	8,425	24,981
	<u>1,981,165</u>	<u>1,364,382</u>
 16 Creditors: amounts falling due within one year	 1999	 1998
	£	£
Obligations under hire purchase agreements	37,281	35,329
Trade creditors	106,716	95,381
Bills of exchange payable	1,337,586	1,124,069
Amounts owed to group undertakings	1,426,908	697,484
Other taxes and social security costs	38,562	19,690
Other creditors	43,807	19,479
Accruals and deferred income	15,240	19,601
	<u>3,006,100</u>	<u>2,011,033</u>
 17 Creditors: amounts falling due after one year	 1999	 1998
	£	£
Obligations under hire purchase agreements - due between one and two years	<u>39,769</u>	<u>29,233</u>
 18 Obligations under finance leases and hire purchase contracts	 1999	 1998
	£	£
Amounts payable:		
Within one year	37,281	35,329
Within two to five years	39,769	29,233
	<u>77,050</u>	<u>64,562</u>

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

19 Share capital			1999	1998
			£	£
Authorised:				
Ordinary shares of £1 each			<u>1,000,000</u>	<u>1,000,000</u>
	1999	1998	1999	1998
	No	No	£	£
Allotted, called up and fully paid:				
Ordinary shares of £1	<u>435,225</u>	<u>435,225</u>	<u>435,225</u>	<u>435,225</u>
20 Capital redemption reserve			1999	1998
			£	£
At 1 January			7,800	7,800
At 31 December			<u>7,800</u>	<u>7,800</u>
21 Profit and loss account			1999	1998
			£	£
At 1 January			150,659	141,866
Retained loss			(316,146)	(9,988)
Exchange gains/(losses)			(36,925)	18,781
At 31 December			<u>(202,412)</u>	<u>150,659</u>
22 Reconciliation of movement in shareholders' funds			1999	1998
			£	£
At 1 January			593,684	584,891
Total recognised gains and losses related to the year			(353,071)	308,793
Dividends			-	(300,000)
At 31 December			<u>240,613</u>	<u>593,684</u>

23 Contingent liabilities

At 31 December 1999 the company together with other group undertakings had guaranteed:

- bank facilities of the UK Densitron group amounting to £1,165,351 (1998:£3,723,264). These facilities are secured by a fixed and floating charge over the assets of the group.
- Advances from Factors amounting to £1,835 (1998:£20,713).

Densitron Europe Limited
Notes to the Accounts
for the year ended 31 December 1999

24 Related parties

The company has taken advantage of the permitted exemptions under FRS8 whereby transactions between companies, 90% of whose voting rights are controlled within the group, are not required to be disclosed as related party transactions.

25 Ultimate parent undertaking

The parent undertaking of the company is Densitron Technologies plc (formerly Densitron International PLC) which is incorporated in Great Britain. Its group financial statements are available to the public on payment of the appropriate fee, from Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.